Asia Pioneer Entertainment Holdings Limited
亞洲先鋒娛樂控股有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8400

ANNUAL REPORT 2018

TOTAL SOLUTIONS PROVIDER FOR
ELECTRONIC GAMING EQUIPMENT IN MACAU AND ASIA

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CORPORATE INFORMATION

Registered office
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Principal place of business in Hong Kong
31/F., 148 Electric Road
North Point
Hong Kong

Headquarters and principal place of business in Macau
Em Macau, Estrada Marginal
Do Hipódromo NºS 56-66
Industrial Lee Cheung F10, Macau

Executive Directors
Mr. Huie, Allen Tat Yan *(Chairman)*
Mr. Ng Man Ho Herman *(Chief Executive Officer)*
Mr. Chan Chi Lun *(Chief Financial Officer)*
(Appointed on 1 February 2019)

Independent non-executive Directors
Mr. Choi Kwok Wai
Mr. Ma Chi Seng
Mr. Ho Kevin King Lun

Compliance officer
Mr. Huie, Allen Tat Yan

Authorised representatives
Mr. Huie, Allen Tat Yan
Mr. Kwok Siu Man

Company secretary
Mr. Kwok Siu Man

Audit committee
Mr. Choi Kwok Wai *(Chairman)*
Mr. Ma Chi Seng
Mr. Ho Kevin King Lun

Remuneration committee
Mr. Ho Kevin King Lun *(Chairman)*
Mr. Huie, Allen Tat Yan
Mr. Ma Chi Seng

Nomination committee
Mr. Huie, Allen Tat Yan *(Chairman)*
Mr. Ma Chi Seng
Mr. Ho Kevin King Lun

Risk management committee
Mr. Huie, Allen Tat Yan *(Chairman)*
Mr. Ng Man Ho Herman
Mr. Chan Chi Lun (Appointed on 19 March 2019)

Compliance adviser
Southwest Securities (HK) Capital Limited

Legal adviser as to Macau law
Jorge Neto Valente — Lawyers & Notaries

Independent auditor
Deloitte Touche Tohmatsu
Certified Public Accountants

Principal share registrar and transfer office
Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Hong Kong branch share registrar and transfer office
Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F.
148 Electric Road
North Point
Hong Kong

Principal bankers
The Bank of East Asia, Limited
China Citic Bank International Limited
Banco Nacional Ultramarino

Company website
www.apemacau.com

GEM stock code
8400

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of the Company (the "**Board**"), I am delighted to present the second annual report of the Company for the year ended 31 December 2018 (the "**Year**" or "**FY2018**") since the listing of the issued shares of the Company on GEM of The Stock Exchange of Hong Kong Limited on 15 November 2017.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my gratitude to our shareholders (the "**Shareholders**"), customers, suppliers and business partners, who trust and remain faithful in the Company and its subsidiaries the ("**Group**"). I would also like to extend our sincere thanks to our management and staff for their diligence, dedication and contribution throughout the years.

OVERVIEW

For the Year, the Group achieved an increase in revenue of approximately 27% to approximately HK$109.6 million from approximately HK$86 million for the year ended 31 December 2017 ("**FY2017**"). The growth was mainly driven by the increases in revenue from (i) the sale and distribution of electronic gaming equipment ("**EGE**") in Macau and Asia, which included lease sales in Cambodia and the Philippines; (ii) the consultancy service; and (iii) the sale of refurbished machines. In line with the increase in revenue, the Group's gross profit increased by 38% to approximately HK$47.9 million in the Year from approximately HK$34.8 million in FY2017. The Group's net profit after tax increased by 361% to approximately HK$20.7 million in the Year from approximately HK$4.5 million in FY2017, bearing in mind that FY2017 net profits were impacted by the listing expenses totaling HK$14.2 million. The Board had adopted and approved a share option scheme (the "**Share Option Scheme**") with details disclosed in the paragraph headed "Share Option Scheme" in Appendix IV to the Company's prospectus dated 31 October 2017 (the "**Prospectus**"). However, the Board has not yet operated the Share Option Scheme in FY2018. The Board has resolved not to recommend a dividend for the Year.

FORWARD

Looking forward, the Group remains positive on the growth prospects of the EGE market in Macau and the rest of Asia. The Group intends to continue its business and operating plans as set out in our Prospectus. We shall continue to work diligently in the coming year and do our utmost for our Shareholders, customers and business partners.

Huie, Allen Tat Yan
Chairman and Executive Director
Hong Kong, 19 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a total solutions provider of electronic gaming equipment ("**EGEs**") for land based casinos in the Macau Special Administrative Region ("**Macau SAR**") as well as other regions in Asia. EGE principally includes electronic table games ("**ETGs**") and electronic gaming machines ("**EGMs**" or "**Slot Machines**"). The Group's business can be segmented into: (i) technical sales and distribution of EGEs to land based casinos; (ii) the repair of EGEs and sale of spare parts; (iii) consultancy to suppliers or manufacturers of EGE products to the casino gaming supplier market; (iv) sales of refurbished EGMs; and (v) the lease sales of EGEs.

The business of the Group is conducted through its wholly-owned subsidiary, namely Asia Pioneer Entertainment Limited ("**APE Macau**"). APE Macau is the operating company of the Group, which operates the core businesses of the Group out of Macau SAR. For the year ended 31 December 2018 (the "**Year**" or "**FY2018**"), APE Macau represented all of the revenue of the Group.

The Group's total revenue during the Year was HK$109.6 million, making an increase of 27% over that of HK$86 million for the year ended 31 December 2017 ("**FY2017**"). For the Year, the Group achieved a net profit after tax of HK$20.7 million, an increase of 361% over that for FY2017 (2017 : HK$4.5 million).

On a segmented basis, the Group made revenues from the technical sales and distribution of EGEs of HK$65.6 million in the Year, a decrease of 10% over that for FY2017 (HK$72.8 million). This segment also included revenue from the sale of spare parts which was HK$3.7 million, an increase of 251% year on year ("**YOY**"), (2017: HK$1.1 million). From consultancy and technical services, the Group made revenues of HK$8.5 million in the Year, an increase of 26% over that for FY2017. From sales of refurbished EGMs, the Group made revenues of HK$2.5 million, a decrease of 42% from FY2017. During the Year, the Group also recorded revenue from two lease sales which the Group made in the Kingdom of Cambodia ("**Cambodia**") and the Republic of Philippines (the "**Philippines**") in December 2018 totalling HK$30.4 million whereas no leasing revenues were recorded in FY2017. Under the lease sales, the Company entered into finance lease arrangements for sales of EGMs and ETGs to two purchasers (who are third parties independent of the Company and its connected persons) for use at certain casinos in Cambodia and the Philippines, respectively. Each of the finance lease arrangements carries a lease term of five years and bears a fixed daily rental rate over the lease term.

From a gross profit standpoint, the overall gross profit and gross margin for the Group for the Year were HK$47.9 million and 44%, respectively, whereas the overall gross margin in FY2017 was 40%. On a segmented basis, technical sales and distribution of EGEs earned gross profit of HK$18.9 million, representing a gross margin of approximately 29% and the corresponding gross margin of that division was 37% in FY2017. The repair of EGEs had gross profit of HK$1.5 million in the Year, representing a gross margins of 62.3%, whereas the corresponding gross margins for that division was 27% in FY2017. Consulting and technical services division generated HK$6.9 million in gross profit in the Year, representing a gross margin of 81.3%, whereas the corresponding gross margin for that division was 78.8% in FY2017. For the sale of refurbished EGMs, the gross profit generated in the Year was HK$2.2 million, representing a gross margin of 88%, whereas gross margin was 47% for that division in FY2017. For lease sales of EGMs, the gross profit for the Year was HK$18.3 million, representing a gross margin of 60.1%, whereas no lease sales were made in FY2017.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

According to government statistics, the overall Macau SAR gaming market as measured by Gross Gaming Revenue ("**GGR**") grew by 14% to MOP302.85 billion (USD37.57 billion)[1] from MOP264.7 billion (USD33.0 billion) in FY2017[1] on a YOY basis. Revenue from Slot Machines increased by 14.3% to MOP15 billion in FY2018 from MOP13.1 billion in FY2017[2]. The number of Slot Machines increased by 3% from 15,622 seats in FY2017 to 16,059 in FY2018. This slower increase was due to a number of older generation slots being decommissioned from the gaming floor due to the enforcement of new Macau gaming standards for slots. The overall gaming equipment market in Macau SAR grew slightly in FY2018 due primarily to the opening of two major casinos, namely the MGM Cotai and Morpheus in City of Dreams.

In Asia, according to an industry report[3], total GGR for Asia's mass gaming and slots market grew at around 15% YOY for FY2018, with the Philippines up 25% YOY and Cambodia up 32% YOY, both being the fastest growth of the Asia market.

1 Source http://www.ggrasia.com/macau-casino-ggr-posts-19pct-growth-in-full-2017-govt/
2 DICJ statistics http://www.dicj.gov.mo/web/en/information/DadosEstat/2018/content.html#n1
3 Goldman Sachs report: Leisure Gaming & amp_Travel Monitor

PROSPECTS

Looking ahead, management believes that the Group's growth prospects for 2019 will lean slightly more towards the Asia market which are growing quicker than Macau SAR. In particular, SunCity's new casino opening in Hoi An in the Republic of Vietnam ("**Vietnam**") and growth in new casino resorts in the Philippines and Cambodia have potential to bring new business to the Group.

In Macau SAR, which continues to be the core market for the Group, there will be the opening of two new planned casinos, namely Grand Lisboa Palace and Lisboeta both in Cotai, which can bring new revenue opportunities to the Group. As the mass market continues to grow with casinos continuing to adopt EGMs and ETGs to serve this sector, we believe that this can be a favourable environment for the Group's sale and distribution business in Macau SAR.

For the year ahead, the Group will continue to implement its business plan as stated in our prospectus dated 31 October 2017 (the "**Prospectus**") and as we did for this Year. In FY2018, we introduced a new horse racing machine to Macau SAR and secured two sales to a casino client in Macau SAR. We expect this product to be well-received by the market, which should support our technical sale and distribution revenues in the coming year. We are also receiving more enquires for the leasing of EGMs in markets such as the Philippines, Cambodia, and Vietnam. As these are relatively new markets for the Group, we shall review leasing opportunities on a selective basis. Finally, as our business is very much affected by the attractiveness and market acceptance of our new EGM and ETG products, we need to continue to seek or develop new games and products for the growing mass market in Macau SAR and the Asian region.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

Key Financial Data	For the year ended 31 December 2018 *HK$*	For the year ended 31 December 2017 *HK$*	For the year ended 31 December 2016 *HK$*	For the year ended 31 December 2015 *HK$*
Results of operation				
Revenue	109,618,844	86,063,958	52,576,234	48,178,780
Gross profit	47,934,133	34,830,381	23,228,347	19,539,994
Profit before tax	24,109,721	7,122,981	11,458,702	14,453,280
Profit and total comprehensive income for the year	20,701,271	4,492,286	9,562,281	12,758,698
Financial position				
Total assets	120,673,011	92,578,013	27,985,396	31,174,498
Total liabilities	29,504,623	22,110,896	14,055,748	14,311,985
Total equity	91,168,388	70,467,117	13,929,648	16,862,513

Revenue

For FY2018, the Group's revenue increased by 27% to approximately HK$109.6 million from approximately HK$86 million in FY2017. Gross profit increased by 38% to approximately HK$48 million in FY2018 from approximately HK$35 million in FY2017.

Group's Overall

The improvement in revenue and gross profit performance were principally attributed to the increases in revenue from (i) consulting service; and (ii) the recognition of two lease sales in Cambodia and the Philippines, respectively.

Operating Expenses

The Group's operating expenses increased by 69% to approximately HK$23.6 million in FY2018 from approximately HK$14 million in FY2017, principally attributable to the increases in (i) the headcount in our Macau SAR office; (ii) the expenses associated with expanding into the new markets in Asia, as well as public company compliance.

Net Profit

Net profit after tax increased by 361% to approximately HK$20.7 million in FY2018 from approximately HK$4.5 million in FY2017 mainly due to an increase in gross profit in the Year and the non-incurrence in the Year of any listing expenses which were incurred and impacted the Group's net profit by HK$14.2 million in FY2017.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business Objectives up to 31 December 2018	Actual Business Progress
— refurbishment business	— Completed second refurbishment business of 83 machines — Increased repair team to work on refurbishment sales.
— Commencement of leasing business	— Initiated leasing business in the Philippines and Cambodia.
— Expansion into Southeast Asia	— Started Southeast Asia sales by a senior sales person

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During FY2018, the Group financed its operations by its internal resources. As at 31 December 2018, the Group had net current assets of approximately HK$59.6 million versus those of approximately HK$68.1 million as at 31 December 2017.

As at 31 December 2018, the Group had no bank borrowings though the Company had one revolving credit facility with The Bank of East Asia, Limited with a limit of HK$10 million which was not drawn down. The gearing ratio (which is calculated by dividing total debt by total equity) was not applicable to the Group as at 31 December 2018. The shares of the Company (the "**Shares**) in issue were initially listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 November 2017 (the "**Listing Date**") by way of a placing and a public offer totalling 250,000,000 new Shares at a price of HK$0.28 each. There has been no change in the capital structure of the Company since the Listing Date.

The capital structure refers to the maturity profile of debt and obligation, type of capital instruments used, currency and interest rate structure.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the sections headed "statement of business objectives and use of proceeds" and "Use of Proceeds", respectively in the Prospectus, the Group did not have any other plans for material investment or capital assets as at 31 December 2018.

SIGNIFICANT INVESTMENTS OR MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not make any significant investment or material acquisition and disposal of subsidiaries, associates or joint ventures during FY2018.

MAJOR EVENTS AFTER THE END OF THE YEAR

There was no major event subsequent to 31 December 2018 and up to the date of this annual report.

CONTINGENT LIABILITIES

As at 31 December 2017 and 2018, the Group did not have any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had a total of 39 employees (31 December 2017: 36). For FY2018, the Group incurred staff costs, including Directors' remuneration of approximately HK$15.1 million (2017: approximately HK$9.7 million).

The Company has adopted a share option scheme on 25 October 2017 for the purpose of recognising and acknowledging the contribution of employees. The Company did not operate the share option scheme in FY2018.

CAPITAL COMMITMENTS

During the fourth quarter of 2017, the Group signed a lease agreement for new premises in Macau SAR with 18,000 sq.ft. for integrated office with workshop and warehouse. As at 31 December 2018, capital commitment was approximately HK$1.8 million in respect of the acquisition of property and equipment.

CHARGES ON GROUP ASSETS

As at 31 December 2018, the Group had no charges on the Group's assets (31 December 2017: Nil).

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well-placed to take advantage of future growth opportunities. As at 31 December 2018, all cash on hand were deposited with licensed financial institutions in Hong Kong and Macau.

CUSTOMER AND SUPPLIER RELATIONSHIP

The Group's major customers are mostly Macau SAR casino operators listed on the Stock Exchange as well as customers with an established record with the Group. The Group is committed to building long term and stable business relationships with existing customers through our sales and marketing department and technical service team.

The Group maintains good relationships with its suppliers. The Group has long term relationships with a selected number of suppliers who distribute on an exclusive territorial or a non-exclusive basis.

FOREIGN CURRENCY EXPOSURE

The Group invoices its customers mainly in US$, HK$ and MOP. The main exposure to foreign currency fluctuations is through ordering from a major European supplier with invoices denominated in European dollars ("**Euro**"). For FY2018, the Group's net foreign exchange loss was HK$281,025, an increase from HK$55,234 for FY2017. This was attributable to the fluctuation of exchange rate of USD against Euro, which affected negatively our payables in Euro liabilities.

DIVIDENDS

The Board has resolved not to recommend any dividend for the Year (2017: HK$6,500,000).

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

GENERAL

The following table sets forth the information regarding the directors of our Company (the "**Directors**") and the members of the senior management of our Group (the "**Senior Management**"):

Executive Directors

Name	Age	Position	Role and responsibility	Date of appointment	Date of joining our Group	Relationship with other Director(s) and senior management
Mr. Huie, Allen Tat Yan ("**Mr. Huie**") (許達仁)	60	chairman, executive Director and compliance officer	strategic planning and management supervision of our Group	appointed as Director on 22 February 2017; redesignated as executive Director on 15 March 2017	14 November 2005	N/A
Mr. Ng Man Ho Herman ("**Mr. Ng**") (吳民豪)	47	chief executive officer and executive Director	overall business and sales and marketing	appointed as Director on 22 February 2017; redesignated as executive Director on 15 March 2017	14 November 2005	N/A
Mr. Chan Chi Lun ("**Mr. Chan**") (陳子倫)	49	chief financial officer and executive Director	Finance, corporate affairs and investor relations	appointed as Chief Financial Officer on April 2018 , appointed as executive Director on 1 February 2019	2013	N/A

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Name	Age	Position	Role and responsibility	Date of appointment	Date of joining our Group
Mr. Choi Kwok Wai ("**Mr. Choi**") (蔡國偉)	58	independent non-executive Director	supervising and providing independent judgment to our board of Directors (the "**Board**")	25 October 2017	25 October 2017
Mr. Ma Chi Seng ("**Mr. Ma**") (馬志成)	40	independent non-executive Director	supervising and providing independent judgment to our Board	25 October 2017	25 October 2017
Mr. Ho Kevin King Lun ("**Mr. Ho**") (何敬麟)	43	independent non-executive Director	supervising and providing independent judgment to our Board	25 October 2017	25 October 2017

Senior Management

Name	Age	Position	Role and responsibility	Date of joining our Group	Relationship with other Director(s) and senior management
Ms. Chan Ka Ian (陳家欣)	36	assistant general manager (sales and marketing)	management and supervision of sales and marketing team	7 July 2008	N/A
Mr. Ip Wai Wai (葉偉偉)	33	assistant general manager (technical)	management and supervision of the technical team	19 April 2010	N/A
Ms. Lou Sut Mui (勞雪梅)	55	Financial Controller	management and supervision of accouting team	18 Dec 2007	N/A

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of six Directors, comprising three executive Directors and three independent non-executive Directors (the "**INED$_s$**"). Save as disclosed below, there are no other matters concerning each of our Directors' appointment that need to be brought to the attention of the Company's shareholders and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and there are no other matters which shall be disclosed pursuant to Rule 17.50(2) of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**").

Executive Directors

Mr. Huie, Allen Tat Yan (許達仁) ("**Mr. Huie**"), aged 60, is the chairman, an executive Director and the compliance officer of our Group. Mr. Huie is also the chairman of the Board's nomination committee (the "**Nomination Committee**") and risk management committee (the "**Risk Management Committee**") and a member of the Board's remuneration committee (the "**Remuneration Committee**"). Mr. Huie is responsible for the strategic planning and management supervision of our Group. He has served as a director and the chairman of the board of directors of our subsidiary, Asia Pioneer Entertainment, Ltd. ("**APE BVI**") since 25 June 2015. He has also been appointed as a director and the chairman of the board of directors of our main operating subsidiary, Asia Pioneer Entertainment Limited ("**APE Macau**"), since 18 November 2015 and 20 June 2016 respectively. In addition, Mr. Huie is a director of APE HAT Holdings Limited ("**APE HAT**"), a controlling shareholder of the comany (the "**Controlling Shareholder**").

Mr. Huie is one of the founders of our Group, the history of which can be traced back to late 2005. Mr. Huie has over 10 years of experience in the gaming industry.

Mr. Huie also has over 30 years of experience in investments and investment banking. Apart from investing into our Group, Mr. Huie is an investor in SeaAir Solutions, LLC (formerly known as Port Logistics, LLC), a terminal and cold storage operator in Florida, the United States of America ("**USA**"). Mr. Huie is also a shareholder of China Clean of Renewable Energy Limited, an engineering plastics company and is a shareholder of LVA Ventures Limited, a venture capital firm in Hong Kong. Mr. Huie also serves directorships in a number of companies, including companies under ShawKwei & Partners, a private equity firm in the Cayman Islands, of which Mr. Huie is an advisory partner. Mr. Huie was formerly a managing director of Salomon Brothers Inc. Mr. Huie is licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**") to engage in Type 9 (asset management) regulated activity. He is currently a director of ATH Capital Management Limited, an asset management company in Hong Kong.

Mr. Huie received both a bachelor of science degree in economics from the Wharton School in USA and a bachelor of arts degree in economics from the School of Arts and Sciences of University of Pennsylvania in USA in 1980. He later obtained a Juris Doctor degree from the University of Pennsylvania Law School, USA in 1983.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng Man Ho Herman (吳民豪) ("**Mr. Ng**"), aged 47, is the chief executive officer ("**CEO**") and an executive Director of our Group. Mr. Ng is also a member of the Risk Management Committee. Mr. Ng is responsible for the overall business as well as sales and marketing of our Group. Mr. Ng is one of the founders of our Group, the history of which can be traced back to 2005. He has been appointed as a director and the managing director of our subsidiary, APE BVI since 14 November 2005 and 25 June 2015 respectively. Mr. Ng was also a sole director of our main operating subsidiary, APE Macau from 24 May 2006 to 18 November 2015 and has been appointed as the managing director and chief executive officer of APE Macau since 18 November 2015. In addition, Mr. Ng is a director of APE HAT, a Controlling Shareholder.

Mr. Ng has over 10 years of experience in the gaming industry. Prior to establishing our Group, Mr. Ng was a manager of O Mundo De Diversoes Centro where he was responsible for the operation and management of the arcade game centre from 1996 to 2004.

Mr. Ng obtained an associate in science degree in construction and energy management and an associate in science degree in business (general) from Cabrillo College in USA in 1994 and 1995, respectively.

Mr. Chan Chi Lun (陳子倫) ("**Mr. Chan**"), aged 49, is the chief financial officer of the Group ("**CFO**"). He was appointed as an executive Director on 1 February 2019 and is also a member the Risk Management Committee. Mr. Chan joined our Group in 2013. Since 2013, Mr. Chan has been the chief financial officer of another wholly-owned subsidiary of the company, whose principal activity is investment holding. From 2014 to March 2018, Mr. Chan provided investor relations and corporate finance consultancy service to the Group. Mr. Chan was appointed as CFO in April 2018.

Mr. Chan is the President of TiE (HK) Chapter, a global non-profit organization for fostering entrepreneurship and has been a director of Health Builder London Limited which is a health-tech company based in Hong Kong. Mr. Chan holds a Master in International Management (distinction) from Strathclyde Business School and graduated from Strathclyde University in Scotland with a BSc (Hons) in Technology and Business Studies.

Independent non-executive Directors

Mr. Choi Kwok Wai (蔡國偉) ("**Mr. Choi**"), aged 58, is an INED and the chairman of the audit committee of the Board (the "**Audit Committee**"). Mr. Choi is responsible for supervising and providing independent judgment to our Board. Mr. Choi has 20 years of experience in accounting, auditing, taxation and corporate consultancy. He has been the managing partner of Choi, Lo & Co., a certified public accountant firm in Hong Kong, since 1998, responsible for the daily management and strategic planning of the firm. Mr. Choi has extensive experience in advising his clients on internal control, compliance and corporate governance, and providing pre-IPO consultation service.

Mr. Choi obtained a degree in accounting from the University of Southern Queensland in Australia in 1993. Mr. Choi has been a member of the Hong Kong Institute of Certified Public Accountants since 1994. He has also been a certified practising accountant in Australia since 1994 and a certified tax advisor in Hong Kong since 2009. Mr. Choi was appointed as the chairman of The Society of Chinese Accountants and Auditors in Hong Kong in 2017 and resigned in 2018. He has served as its council member from 2009 to 2018.

Mr. Ma Chi Seng (馬志成) ("**Mr. Ma**"), aged 40, is an INED and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Ma is responsible for supervising and providing independent judgment to our Board. Since 2008, Mr. Ma has been appointed as a director of New Worldwide International Limited, a company incorporated in Macau, conducting wholesale business of tobacco and wine.

Mr. Ma obtained a bachelor degree in business management from the Monash University in Australia in 2003.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho Kevin King Lun (何敬麟) ("**Mr. Ho**"), aged 43, is an INED. Mr. Ho is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Ho is responsible for supervising and providing independent judgment to our Board. Mr. Ho is a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference Committee Standing Committee. Mr. Ho is a founder and has been a director of Valeo Strategic Investment Limited since 2007, which is mainly engaged in financial investment, property management and property transactions. Mr. Ho has been the chairman of Anzac Group Company Limited since 2012, which is a real estate development company in Macau. Mr. Ho is responsible for the overall management, and strategic planning of the aforementioned companies. Mr. Ho has also been a member of the board of directors of Tai Fung Bank Limited in Macau since 2008, responsible for monitoring the bank's compliance with applicable laws and regulations, reviewing financial reports and business operations of the bank and ensuring that the shareholders of the bank are treated fairly.

Mr. Ho obtained a bachelor's degree of commerce in marketing in 1998 and master's degree of commerce in international business from the University of New South Wales in Australia in 2000. He later obtained a doctoral degree in business administration from Macau University of Science and Technology in 2015.

SENIOR MANAGEMENT

The Senior Management team, in addition to the executive Directors listed above, is listed as follows:

Ms. Chan Ka Ian (陳家欣) ("**Ms. Chan**"), aged 36, is the assistant general manager (sales and marketing) and joined our Group on 7 July 2008. Ms. Chan is responsible for the management and supervision of the sales and marketing of our Group, including supervising the sales and marketing team of our Group, product marketing, liaising with clients and identifying their needs, developing and implementing pricing strategy for products of our Group. Prior to joining our Group, Ms. Chan was a marketing officer at Macau Legend Development Limited in 2007 and 2008.

Ms. Chan obtained a bachelor's degree of science from the Macau University of Science and Technology in 2006.

Mr. Ip Wai Wai (葉偉偉) ("**Mr. Ip**"), aged 33, is the assistant general manager (technical) and joined our Group on 19 April 2010. Mr. Ip is responsible for the management and supervision of the technical team of our Group, provision of technical support service, including installation, system maintenance, troubleshooting and design refinement of gaming machines. He also serves at the frontline to provide immediate and around-the-clock technical solutions to the clients of our Group. Prior to joining our Group, Mr. Ip began his career as a slot technician at Elixir International Limited, an information communication technology and extra low voltage solution provider in Macau, from 2007 to 2009 and later as a casino technician at Casino Oceanus in Macau from 2009 to 2010. Mr. Ip has over 10 years of experience in provision of the technical support regarding gaming machines.

Mr. Ip obtained a bachelor's degree in engineering (major in electrical and automation engineering) from Fujian University of Technology, the People's Republic of China (the "**PRC**") in 2007.

Ms. Lou Sut Mui (勞雪梅) ("**Ms. Lou**"**),** aged 55, is the financial controller and joined our Group on 18 December 2007. Ms. Lou is responsible for the management and supervision of the accounting department of our Group, Ms. Lou has 20 years of experience in accounting and financial management. Ms. Lou holds a degree in business administration majoring in accountancy from National Huaqiao University in the PRC in 2004.

CORPORATE GOVERNANCE REPORT

The Company and its subsidiaries (collectively, the "**Group**") are committed to fulfilling its responsibilities to its shareholders (the "**Shareholders**") and protecting and enhancing Shareholders' value through good corporate governance.

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and has complied with all applicable code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" and the "**GEM Listing Rules**", respectively) during the year ended 31 December 2018 (the "**Year**") and period thereafter up to the date of this annual report (collectively, the "**Period**").

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings in the securities (the "**Required Standard of Dealings**") as contained in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in the securities of the Company by the Directors. In response to a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the Required Standard of Dealings during the Period.

BOARD OF DIRECTORS

Responsibilities

The board of Directors (the "**Board**") is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business and investment plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Company's articles of association (the "**Articles of Association**"). The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. The Board may from time to time delegate certain functions to management of the Group (the "**Management**") if and when considered appropriate. The Management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and other duties assigned to it from time to time.

The Directors have full access to information of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Composition

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors (the "**INED$_s$**")) so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As at the date of this annual report, the Board comprises the following six Directors, of which the INED$_s$ in aggregate represent 50% of the Board members:

Executive Directors (the "ED$_s$")

Mr. Huie, Allen Tat Yan ("**Mr. Huie**") *(Chairman)*
Mr. Ng Man Ho Herman ("**Mr. Ng**") *(Chief Executive Officer) (the "***CEO***")*
Mr. Chan Chi Lun ("**Mr Chan**") *(Chief Financial Officer (the "***CFO***"), appointed as an ED on 1 February 2019)*

INED$_s$

Mr. Choi Kwok Wai ("**Mr. Choi**")
Mr. Ma Chi Seng ("**Mr. Ma**")
Mr. Ho Kevin King Lun ("**Mr. Ho**")

The biographical details of each of the Directors are set out in the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

There was no financial, business, family or other material relationship among the Directors during the Period.

The INED$_s$ have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs will continue to make various contributions to the Company.

Throughout the Period, the Company had three INED$_s$, meeting the requirements of the GEM Listing Rules that the number of INEDs must represent at least one-third of the Board members, and that at least one of the INED$_s$ has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a confirmation of independence in writing from each of the INED$_s$ pursuant to Rule 5.09 of the GEM Listing Rules. Based on such confirmation and not aware of any unfavourably reported incidents, the Company considers that all the INED$_s$ are independent and have met the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules during the Period.

During the Year, the chairman of the Board (the "**Chairman**"), being an executive Director held one meeting with the INED$_s$ without the presence of another executive Director.

Proper insurance coverage has been arranged by the Company to cover the Directors against any liability incurred by them in their discharge of their duties.

CORPORATE GOVERNANCE REPORT

Directors' Induction and Continuing Professional Development

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his appointment to ensure that he has a proper understanding of the Company's operations and business and is fully aware of the Director's responsibilities under statue and common law, the GEM Listing Rules, other legal and regulatory requirements and the Company's business and governance policies.

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the continuing professional development programmes received by each of the Directors during the Year is summarised as follows:

Name of Directors	Type of trainings
Mr. Huie	A and B
Mr. Ng	A and B
Mr. Chan *(Note 1)*	N/A
Mr. Choi	A and B
Mr. Ma	A and B
Mr. Ho	A and B

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

Note 1:

Appointed on 1 February 2019

Meetings of the Board and Directors' Attendance Records

The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The company secretary of the Company (the "**Company Secretary**") is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Directors' inspection.

During the Year, the Board held four meetings and, amongst other matters, considered and approved (i) the audited consolidated financial statements of Group for the year ended 31 December 2017 (the "**FY2017**"); (ii) the abridged unaudited consolidated financial results of the Group for the three months ended 31 March 2018; (iii) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2018; and (iv) the abridged unaudited consolidated financial results of the Group for the nine months ended 30 September 2018.

The attendance record of each current Directors at the above Board meetings is as follows:

Name	Position	Total No. of Meetings Attended
Mr. Huie	Co-founder, Chairman and ED	4
Mr. Ng	CEO and ED	4
Mr. Ma	INED	2
Mr. Ho	INED	2
Mr. Choi	INED	4

The Board held two meetings on 1 February 2019 and 19 March 2019 and, amongst other matters, approved the appointment of Mr. Chan as an ED and considered and approved the audited consolidated financial statements of the Group for the Year (the "**Consolidated Financial Statements**") and approved the appointment of Mr. Chan as a member of the Risk Management Committee, respectively.

All Directors attended the above Board meetings.

During the Period, the Company held the annual general meeting of the Shareholders on 31 May 2018. All the Directors except Mr. Ho and Mr. Ma attended such meeting.

Board Diversity Policy

During the Year, the Board adopted a policy of the Board diversity and discussed all measurable objectives set for implementing the same.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Period, Mr. Huie acted as the Chairman and Mr. Ng acted as the CEO. The roles of the Chairman and the CEO have been separated and assumed by different individuals to ensure a balance of power and authority so that power is not concentrated in any member of the Board. The respective roles and responsibilities of the Chairman and the CEO are set out in writing.

BOARD COMMITTEES

The Board has established four Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

Audit Committee

The Audit Committee was established on 15 November 2017 with effect from the Listing Date with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. The Audit Committee comprises all the INEDs, namely Mr. Choi, Mr. Ma and Mr. Ho. Mr. Choi is the chairman of the Audit Committee.

The principal roles and functions of the Audit Committee include but are not limited to:

- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving its remuneration and terms of engagement, and handling any questions regarding its resignation or dismissal;

- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discussing with the external auditor on the nature and scope of the audit and reporting obligations before the audit commences;

- developing and implementing a policy on engaging external auditor to supply non-audit services and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- monitoring the integrity of the Company's financial statements and annual reports and financial statements, half-year reports and quarterly reports, and reviewing significant financial reporting judgments contained in them;

- reviewing the Company's financial controls, and risk management and internal control systems;

- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have such effective systems;

- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

- where an internal audit function exists, ensuring co-ordination between the internal and external auditors and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;

- reviewing the Group's financial and accounting policies and practices;

- reviewing the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts or systems of control and management's response;

- ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;

- reviewing the arrangements that the employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and

- considering other topics as defined by the Board.

During the Year, four Audit Committee meetings were held and, amongst other matters, reviewed and approved for presentation to the Board for consideration and approval of the draft audited consolidated financial statements of the Group for FY2017, the unaudited consolidated financial statements of the Group for the three months ended 31 March 2018, the unaudited consolidated financial statements of the Group for the six months ended 30 June 2018 and the unaudited consolidated financial statements for the nine months ended 30 September 2018.

The attendance record of the members of the Audit Committee at the above Audit Committee meetings is as follows:

Name	Position	Total No. of Meetings Attended
Mr. Ma	INED	4
Mr. Ho	INED	3
Mr. Choi	INED	4

The Audit Committee held a meeting on 19 March 2019 and, amongst other matters, considered and approved (i) for presentation to the Board for consideration and approval of the draft audited Consolidated Financial Statements; and (ii) audit-related matters.

All the INED$_s$ attended the above meeting in their respective capacities as the chairman and members of the Audit Committee.

Nomination Committee

The Nomination Committee was established on 15 November 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. The Nomination Committee comprises two INED$_s$, namely Mr. Ma and Mr. Ho, and Mr. Huie, the Chairman and an ED. Mr. Huie is the chairman of the Nomination Committee.

The principal roles and functions of the Nomination Committee include but are not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;

CORPORATE GOVERNANCE REPORT

- assessing the independence of the INED$_s$;
- making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for the Directors, in particular, the Chairman and the CEO; and
- reviewing and monitoring the implementation of the Board diversity policy as adopted by the Board.

During the Year, one Nomination Committee meeting was held and, amongst other matters, reviewed the structure, size and composition of the Board, assessed the independence of the INED$_s$ and recommended to the Board for consideration the re-appointment of the retiring Directors at the annual general meeting of the Company ("**AGM**") held on 31 May 2018. Each of the members of the Nomination Committee attended the above meeting in the capacity of the chairman or a member of the Nomination Committee.

The Nomination Committee held a meeting on 19 March 2019 and, amongst other matters, reviewed the structure, size and composition of the Board, assessed the independence of the INED$_s$ and recommended to the Board for consideration the re-appointment of the retiring Directors at the forthcoming AGM. All the chairman and members of the Nomination Committee attended such meeting.

Remuneration Committee

The Remuneration Committee was established on 15 November 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. The Remuneration Committee comprises two INED$_s$, namely Mr. Ma and Mr. Ho and Mr. Huie, the Chairman and an ED. Mr. Ho is the chairman of the Remuneration Committee.

The principal roles and functions of the Remuneration Committee include but are not limited to:

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- reviewing and approving management's remuneration proposals by reference to the Board's corporate goals and objectives;
- making recommendations to the Board on the remuneration packages of individual executive Directors and senior management (the "**Senior Management**") including basic salaries, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of the non-executive Directors;
- considering the salaries paid by comparable companies, Board members' time commitment and responsibilities and employment conditions elsewhere in the Group;

- reviewing and approving the compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive;

- reviewing and approving the compensation arrangements relating to the dismissal or removal of the Directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate; and

- ensuring that no Director or any of his associates (as defined in the GEM Listing Rules) is involved in deciding his own remuneration.

During the Year, one Remuneration Committee meeting was held and, amongst other matters, reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and the Senior Management. Each of the members of the Remuneration Committee attended the above meeting in the capacity of the chairman or a member of the Remuneration Committee.

The Remuneration Committee held a meeting on 19 March 2019, and reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and the Senior Management.

All the chairman and members of the Remuneration Committee attended such meeting.

Risk Management Committee

The Risk Management Committee was established on 15 November 2017. The primary functions of the Risk Management Committee include but are not limited to reviewing the Company's risk management policies and standards and monitoring the Company's exposure to sanctions law risks. The Risk Management Committee comprises Mr. Huie, the Chairman and an ED and Mr. Ng, the CEO and an ED. Mr. Huie is the chairman of the Risk Management Committee. Mr. Chan was appointed as a member of the Risk Management Committee on 19 March 2019.

During the Year, the Risk Management Committee held a meeting on 20 March 2018 and considered certain risk management matters. Mr. Huie and Mr. Ng attended the meeting.

The Risk Management Committee held a meeting on 19 Mach 2019, and reviewed certain risk management matters. Mr. Huie, Mr. Ng and Mr. Chan attended such meeting.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions, which include:

- developing and reviewing the Company's policies and practices on corporate governance;

- reviewing and monitoring the training and continuous professional development of the Directors and the Senior Management;

- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in this report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of Mr. Huie and Mr. Ng, the ED_s and Mr. Choi, Mr. Ma and Mr. Ho, the $INED_s$ has entered into a service contract with the Company on 25 October 2017 for a term of three years commencing on 15 November 2017 (the "**Listing Date**"); while Mr. Chan has entered into a service contract with the Company for a term of three years commencing on 1 February 2019. All contracts of the ED_s may be terminated by not less than three months notice served by either party on the other, and is subject to the termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles of Association.

Each of the INEDs has entered into a letter of appointment with the Company for a term of three years commencing on the Listing Date, which may be terminated by not less than three months' notice served by either party on the other and is subject to the termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles of Association.

Save as disclosed aforesaid, none of the Directors has a service agreement or letter of appointment with the Company or any of its subsidiaries other than the contracts/letters of appointment expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

All the Directors, including $INED_s$, are subject to retirement by rotation and eligible for re-election in accordance with the Articles of Association. At each AGM, at least one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that each Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and does not offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the AGM shall retire by rotation at such AGM. Any further Directors so to retire shall be those who have been the longest in office since their last re-election or appointment and so that as between the persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A Director is not required to retire upon reaching any particular age.

The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall be subject to retirement by rotation.

The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director, but so that the number of Directors so appointed shall not exceed the maximum number (if any) determined from time to time by the Shareholders in a general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election. Any such Director appointed shall not be taken into account in determining the number of Directors who are to retire by rotation at an AGM.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the Year are set out in note 10 to the Consolidated Financial Statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the Senior Management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of the Directors and Senior Management" in this annual report for the Year by band is set out below:

Remuneration band (in HK$)	Number of individuals
Nil to 1,000,000	3

INDEPENDENT AUDITOR'S REMUNERATION

Deloitte Touche Tohmatsu ("**Deloitte**") was engaged as the Group's independent auditor (the"**Independent Auditor**") for the Year. Apart from the provision of annual audit services, Deloitte also provided the non-audit services in connection with the tax advisory service.

The remuneration paid/payable to Deloitte in respect of the Year is set out below:

Services	Fee (in HK$)
Audit services — Annual audit	1,511,164
Non-audit Services:	
Tax advisory	50,000
Total	1,561,164

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the Consolidated Financial Statements, which give a true and fair view of the Group's state of affairs, results and cash flows for the Year and are properly prepared on a going concern basis in accordance with the applicable statutory requirements as well as accounting and financial reporting standard.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, the statement by the Independent Auditor regarding its responsibilities on the Consolidated Financial Statements is set out on the Independent Auditor's Report on page 40 to page 45 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has in place policies and procedures in relation to risk management and internal control. The Board is primarily responsible for overseeing the risk management and internal control systems and for reviewing their effectiveness. The Company's internal control system and procedures are designed to meet its specific business needs and to minimise its risk exposure. The Company has adopted different internal guidelines, along with written policies and procedures to monitor and lessen the impact of risks which are relevant to its business and control its daily business operations. Management will identify the risks associated with the Group's day-to-day operations for review by the Board. The Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. Since 15 November 2017, the internal audit function of the Company has been carried out under the leadership of the Board and the Risk Management Committee. The Company will consider engaging an internal control consultant to review the Group's internal control system on an annual basis.

Recently, the Board, through the Risk Management Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group covering all material controls, including financial, operational and compliance controls functions. The Board considers that the Group's risk management and internal control systems are adequate and effective. As part of the annual statutory audit, the Company's external auditor conducted an annual review, in accordance with their audit plan, on th adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Any material non-compliance or failures in internal controls and recommendations or improvements are reported to the Risk Management Committee. The Risk Management Committee also reviews the effectiveness of the actions taken on the recommendations made by the external auditor in this respect, if any.

Based on the external auditor's reports, the actions taken by the Management, the on-going review and continuing efforts in enhancing internal controls and processes, the Board, with the concurrence of the Risk Management Committee, is of the opinion that the system of internal controls and risk management that had been maintained by the Management throughout the Year was adequate and effectively met the needs of the Group in its current business environment, and addressed the financial operational, compliance and information technology risks.

The Board expects that a review of the risk management and internal control systems will be performed annually.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Future Ordinance and the GEM Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the ED_s are authorised to communicate with parties outside the Group.

COMPANY SECRETARY

The Company has appointed Mr. Kwok Siu Man ("**Mr. Kwok**") as the Company Secretary with effect from 14 March 2017.

Mr. Kwok was nominated by Boardroom Corporate Services (HK) Limited ("**Boardroom**") to act as the Company Secretary and Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom. The primary person at the Company with whom Mr. Kwok has been contacting in respect of company secretarial matters is Mr. Chan, the CFO and an ED.

Mr. Kwok delivered and attended over 15 hours' relevant continuous professional development training during the Year pursuant to rule 5.15 of the GEM Listing Rules.

All members of the Board have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary has been/will be subject to the Board's approval at its meeting.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for Putting Forward Proposals at Shareholders' Meetings

There is no provision allowing Shareholders to make proposals or move resolutions at the AGMs under the Articles of Association or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the "**EGM**") in accordance with the "Procedures for Shareholders to convene an EGM" set out below.

Procedures for Shareholders to Convene an EGM

Any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the paid-up capital of the Company having the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned (the "**Requisitionist(s)**") at the principal place of business of the Company in Hong Kong (presently 31/F., 148 Electric Road, North Point, Hong Kong) for the attention of the Company Secretary.

The Requisition must state clearly the name(s) of the requisitionist(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

The Company will check the Requisition and the identity and shareholding of the Requisitionist(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Requisitionist(s) will be advised of the outcome and accordingly, the Board or the Company Secretary will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM.

If within 21 days of the deposit of the Requisition the Board or the Company Secretary fails to proceed to convene such meeting, the Requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board or the Company Secretary to convene an EGM shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for Shareholders to Send Enquires to the Board

Shareholders may direct their enquiries about their shareholdings or their notification of change of correspondence address or their dividend/distribution instructions to the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong.

Shareholders may send their enquiries and concerns to the Board by post to the headquarters and principal place of business of the Company in Macau, or by email to ir@apemacau.com, for the attention of the Company Secretary.

Upon receipt of the enquiries, the Company Secretary will forward the communications relating to:

1. the matters within the Board's purview to the ED_s;

2. the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and

3. ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

COMMUNICATION WITH THE SHAREHOLDERS

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

Information will be communicated to the Shareholders through the Company's financial reports, AGMs and other EGMs that may be convened as well as all the published disclosures submitted to the Stock Exchange.

CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the Year.

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has posted its amended and restated memorandum and Articles of Association on the respective websites of the Stock Exchange and the Company.

DIRECTORS' REPORT

The directors of the Company (the "**Directors**") are pleased to present their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 (the "**Year**" or "**FY2018**" and the "**Consolidated Financial Statements**", respectively).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the distribution, repair and consultancy of electronic gaming equipment (the "**EGE**") to gaming operators in the Macau Special Administrative Region ("**Macau**") as well as other regions in Asia. Details of the Company's principal subsidiaries are set out in note 29 to the Consolidated Financial Statements. There was no significant change in the nature of the Group's principal activities during the Year.

PRINCIPAL RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties. All the risks relating to our Group's businesses have been set out in the prospectus of the Company dated 31 October 2017 (the "**Prospectus**") under the section headed "Risk Factors".

BUSINESS REVIEW

A fair review of the business of the Group as well as the discussion and analysis of the Group's performance during the Year, and the material factors underlying its financial performance and financial position and the Group's future development can be found in the section headed "Chairman's Statement" on page 3 and in the section headed "Management Discussion and Analysis" on pages 4 to 8 of this annual report. No important events affecting the Group have occurred since the end of the Year and up to the date of this annual report.

	Technical sales and distribution of electronic gaming equipment (the "EGE")	Consulting and technical services	Repairs services	Sales of refurbished electronic gaming machines (the "EGMs")	Lease Sales of Electronic Gaming Machines	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Revenue	65,634,116	8,517,468	2,489,916	2,507,231	30,470,113	109,618,844
Cost of sales and services	(46,711,155)	(1,594,617)	(937,358)	(296,097)	(12,145,484)	(61,684,711)
Gross profit	18,922,961	6,922,851	1,552,558	2,211,134	18,324,629	47,934,133
Gross profit ratio	28.83%	81.28%	62.35%	88.19%	60.14%	43.73%

(i) Technical Sales of EGE ("Technical Sales and Distribution")

For the Year, Technical Sales and Distribution include the sale and distribution of various brands of EGE which the Group represent under its multi-brand distribution business model.

For the Year, revenue generated from Technical Sales and Distribution, which includes the sales of spare parts, amounted to approximately HK$65.6 million, representing a decrease of approximately 10% as compared with approximately HK$72.8 million in the year ended 31 December 2017 (the "**FY2017**"). For FY2018 and FY2017, the revenue generated from this segment represented approximately 60% and 84% of the Group's total revenue, respectively.

In terms of unit sales breakdown as measured by the number of seats, for the Year, 359 seats were sold broken down into 154 EGM and 205 electronic table games (the "**ETG**") seats. This number represented a 8.7% decrease over the 393 seats in FY2017.

By number of seats	2018	2017	Change %
ETGs	**205**	244	(15.98%)
EGMs	**154**	149	3.36%
TOTAL	**359**	393	(8.65%)

(ii) Consulting and technical services

The Group provides technical and regulatory consulting services to suppliers or manufacturers of EGEs, and technical services to both manufacturers and casino operators.

For the Year, revenue generated from this segment amounted to approximately HK$8.5 million compared with approximately HK$6.7 million in FY2017, an increase of approximately 26% year-on-year ("**YoY**"). The increase in income of consulting and technical services was mainly attributable to two new consulting contracts with an EGE manufacturer to develop and customise new games to the Macau market and Asia.

(iii) Repair services

The Group has invested into creating an integrated workshop in Macau to repair slot machines, which are out of warranty from other manufacturers, for casino operators.

For the Year, revenue generated from this segment amounted to approximately HK$2.5 million, representing an increase of approximately 15% as compared with that for FY2017 (2017: HK$2.1 million). The increase in revenue from this segment can be attributed to more casino operators outsourcing their repairs to the Company.

(iv) Sales of refurbished EGMs

In FY2018, the Company purchased 83 used slot machines from a Macau casino operator for refurbishment at our integrated workshop and resold them to an overseas buyer. Revenues of approximately HK$2.5 million and a gross profit of approximately HK$2.2 million were generated from this segment.

(V) Lease Sales of EGE

For the Year, sales derived from Financial Lease Sales of EGE were HK$30.4 million (2017: Nil). Lease sales recorded 74 seats of EGE in sales split between 2 lease sales contracts in the Kingdom of Cambodia ("**Cambodia**") and the Republic of the Philippines (the "**Philippines**").

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 46 of this annual report.

During the Year, no dividend was made nor declared (2017: HK$6,500,000).

The board of Directors (the "**Board**") has resolved not to recommend any final dividend for the Year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company (the "**Articles of Association**") or the laws of the Cayman Islands, which would oblige the Company to offer new shares of the Company (the "**Shares**") on a pro-rata basis to existing shareholders of the Company (the "**Shareholders**").

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the listing of the Shares on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" and the "**Listing**", respectively) received by the Company (the "**Net Proceeds**") after deducting underwriting fees and the estimated expenses were approximately HK$40 million. The intended use of the Net Proceeds are disclosed in the section "Statement of Business Objectives and Use of Proceeds" in the Prospectus. Unutilised Net Proceeds as at 31 December 2018 amounted to approximately HK$7.10 million and were deposited with licensed banks in Hong Kong and Macau. The Company intends to use the remaining Net Proceeds in the coming years in accordance with the purposes set out in the Prospectus.

As at 31 December 2018, the Group utilised the Net Proceeds as follows:

	Percentage to total amount	Net proceeds *HK$ million*	Utilised amount *HK$ million*	Unutilised amount *HK$ million*
Upfront deposits for manufacturers to provide more trial products	41.5%	16.60	13.48	3.12
Procuring EGM for lease to casino operators in Macau and Asia	17.8%	7.10	7.10	–
Procuring and refurbishment of used EGM for resales	13.2%	5.30	5.30	–
Enhancing market recognition in Macau and South East Asia and strengthening in-house capability to provide repair services	17.3%	6.90	3.38	3.52
Relocation of office premises	0.7%	0.30	0.30	–
Purchase of tools and equipment and new enterprise resource planning system	6.8%	2.70	2.24	0.46
General working capital	2.7%	1.10	1.10	–
	100%	40.00	32.90	7.10

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and the communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

The environmental, social and governance report of the Company containing the details of the environmental, social and governance performance of the Group will be issued in late June 2019.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS, EMPLOYEES AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers, employees and other stakeholders to meet its immediate and long term goals. During the Year, there was no material and significant dispute between the Group and its suppliers, customers, employees and/or other stakeholders.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and the applicable laws and regulations, every Director shall be indemnified and secured harmless of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices. Such permitted indemnity provision has been in force throughout the Year. The Company has subscribed an insurance policy under which the Directors and senior management of the Group (the "**Senior Management**") are indemnified from and against any losses, damages, liabilities and expenses arising from including but not limited to any proceedings brought against them during the performance of their duties and responsibilities.

ANNUAL GENERAL MEETING

The 2019 annual general meeting of the Company (the "**AGM**") will be held on Friday, 10 May 2019. A circular containing the details of the 2019 AGM and the notice of the 2019 AGM and the accompanying form of proxy will soon be dispatched to the Shareholders.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution comprise the share premium account less accumulated losses. As at 31 December 2018, the reserves of the Company available for distribution to the Shareholders, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$36,565,000.

Details of the movements in the reserves of the Company and the Group during the Year are set out in Note 30 to the Consolidated Financial Statements and in the consolidated statement of changes in equity, respectively.

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the Year are set out in Note 13 to the Consolidated Financial Statements.

INTEREST CAPITALIZED

No interest was capitalized by the Group during the Year (FY2017: Nil).

SHARE CAPITAL

Details of the Company's share capital and the movements therein during the Year are set out in Note 21 to the Consolidated Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the Year is as follows:

	Percentage of the Group's total	
	Sales	purchases
— The largest customer	26.0%	N/A
— 5 largest customers in aggregate	76.0%	N/A
— The largest supplier	N/A	37.0%
— 5 largest suppliers in aggregate	N/A	89.9%

None of the Directors, their associates or any Shareholders (which, which to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the major customers and suppliers disclosed above at any time during the Year.

DIRECTORS' REPORT

DIRECTORS

The Directors during the Year and up to the date of this annual report are as follows:

Executive Directors	Independent Non-executive Directors (the "INED$_s$")
Mr. Huie, Allen Tat Yan *(Chairman) ("***Mr. Huie***")*	Mr. Choi Kwok Wai *("***Mr. Choi***")*
Mr. Ng Man Ho Herman *(Chief Executive Officer (the "***CEO***")) ("***Mr. Ng***")*	Mr. Ma Chi Seng *("***Mr. Ma***")*
Mr. Chan Chi Lun *(Chief Financial Officer (the "***CFO***")* ("**Mr. Chan**") *(Appointed on 1 February 2019)*	Mr. Ho Kevin King Lun *("***Mr. Ho***")*

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The biographical details of the Directors and the Senior Management are set out on pages 9 to 13 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Huie and Mr. Ng, the executive Director and Mr. Choi, Mr. Ma and Mr. Ho, the INED$_s$ has entered into a service contract with the Company on 25 October 2017 for a term of three years commencing on 15 November 2017 (the "**Listing Date**"); while Mr. Chan, another executive Director, has entered into a service contract with the Company for a term of three years commencing on 1 February 2019. All contracts of the executive Directors may be terminated by not less than three months' notice served by either party on the other, and is subject to the termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles of Association.

Each of the INED$_s$ has entered into a letter of appointment with the Company for a term of three years commencing on the Listing Date, which may be terminated by not less than three months' notice served by either party on the other and is subject to the termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles of Association.

None of the Directors proposed for re-election at the forthcoming 2019 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

INDEPENDENCE CONFIRMATION

The Company has received from each of the INED$_s$ a confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") and considered that all of the INED$_s$ are independent.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Notes 10a and 10b to the Consolidated Financial Statements.

MANAGEMENT CONTRACTS

The Company did not enter into or have any management and administration contracts (except for the Directors' employment contracts) in respect of the whole or any principal business of the Company during the Year and up to the date of this annual report.

EMOLUMENT POLICY

In order to recruit, develop and retain talented employees, we offer competitive remuneration packages to the staff, including internal promotion opportunities and performance based bonuses. The remuneration packages are subject to review on a regular basis. The emoluments of the Directors are reviewed by the remuneration committee of the Board, having regard to the Company's operating results, individual performance, duties and responsibilities within the Group and comparable market statistics.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACT

Saved as disclosed under the section "Connected Transactions" below, no transaction, arrangement or contract of significance to which the Company, or any of its holding company or subsidiaries or its fellow subsidiaries was a party, and in which a Director or Controlling Shareholders of the Company (as defined under the GEM Listing Rules) had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the substantial shareholders (as defined under the GEM Listing Rules) of the Company (the "**Substantial Shareholders**") or their respective close associates (as defined under the GEM Listing Rules) has interests in any business apart from the Group's business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group during the Year and up to the date of this annual report.

CHANGE TO INFORMATION OF DIRECTORS

In accordance with Rule 17.50A(1) of the GEM Listing Rules, the change to information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 17.50(2) of the GEM Listing Rules since the date of the Prospectus is as follows:

- Mr. Choi, an INED, resigned as the chairman of The Society of Chinese Accountants and Auditors in 2018 but has been serving as its council member since 2009 and up to the date of this annual report.

- Mr. Chan was appointed as an executive Director on 1 February 2019.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "**Share Option Scheme**") on 25 October 2017. A summary of the principal terms of the Share Option Scheme was summarised in the paragraph headed "Share Option Scheme" in Appendix IV to the Company's Prospectus.

NON-COMPETITION UNDERTAKING

On 25 October, 2017, APE HAT Holding Limited ("**APE HAT**"), Mr. Huie, Mr. Ng, and Mr. Chan (being the Substantial Shareholders) entered into a non- competition undertaking in favor of the Group (the "**Deed of Non-competition**" and the "**Non-Competition**", respectively).

The Company has received from each of them a written confirmation on the compliance with the Non-competition during the Year. The $INED_s$ have reviewed the status of compliance and not aware of the occurrence of any event which might impair the Substantial Shareholders' independence, confirmed that all the undertakings under the Deed of Non-competition had been complied with by the above-mentioned persons and entity and duly enforced since the Listing Date and up to 31 December 2018.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 517 of the Laws of Hong Kong (the "**SFO**"), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long Position in the Shares

Name of Directors/ Chief executive	Capacity/Nature of interest	Number of Shares/ underlying Shares interested	Approximate percentage of the Company's issued Shares*
Mr. Huie	Interest of a controlled corporation, interest held jointly with another person	725,100,000	72.51%
Mr. Ng	Interest of a controlled corporation, interest held jointly with another person	725,100,000	72.51%
Mr. Chan	Interest of a controlled corporation, interest held jointly with another person	725,100,000	72.51%

Note: The Company is owned as to 72.51% by APE HAT which is beneficially owned as to 39.68%, 39.68% and 20.64% by Mr. Huie, the Chairman and an executive Director, Mr. Ng, the CEO and an executive Director and Mr. Chan, the CFO and an executive Director, respectively. Pursuant to a deed of concert parties dated 10 March 2017 (the "**Deed of Concert Parties**"), each of Mr. Huie, Mr. Ng and Mr. Chan has agreed and confirmed that, among other things, they have been parties acting in concert in relation to the Group since 1 January 2015 and will continue to act in the same manner in the Group upon the Listing. By virtue of the SFO, each of Mr. Huie, Mr. Ng and Mr. Chan is deemed to be interested in the Shares held by APE HAT.

* The percentage represents the total number of the Shares and the number of underlying Shares interested divided by the number of issued Shares as at 31 December 2018 (i.e. 1,000,000,000 Shares).

DIRECTORS' REPORT

Long Position in the Shares of Associated Corporation

Name	Name of associated corporation	Capacity/ Nature of interest	Number of shares Held	Percentage of interest
Mr. Huie *(Notes (2) and (3))*	APE HAT *(Notes)*	Beneficial owner	992	39.68%
Mr. Ng *(Notes (2) and (3))*	APE HAT *(Notes)*	Beneficial owner	992	39.68%
Mr. Chan *(Notes (2) and (3))*	APE HAT *(Notes)*	Beneficial owner	516	20.64%

Notes:

(1) APE HAT is the direct Shareholder and is an associated corporation of the Company within the meaning of Part XV of the SFO.

(2) Each of Mr. Huie, Mr. Ng and Mr. Chan is a director of APE HAT.

(3) Pursuant to the Deed of Concert Parties, each of Mr. Huie, Mr. Ng and Mr. chan is deemed to be interested in the Shares in which APE HAT is interested within the meaning of Part XV of the SFO.

Save as disclosed above, as at 31 December 2018, none of the Directors nor the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, so far as is known to the Directors, the following persons or entities, other than the Directors and the chief executive of the Company, had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO:

Long Position in the Shares

Name of Shareholder	Capacity/Nature of Interest	Number of Shares interested or held	Approximate percentage of the Company's issued Shares*
APE HAT *(Notes (1) and (2))*	Beneficial owner	725,100,000	72.51%

Notes:

(1) APE HAT is the direct Shareholder.

(2) APE HAT is beneficially owned as to 39.68%, 39.68% and 20.64% by Mr. Huie, Mr. Ng and Mr. Chan, respectively.

* The percentage represents the number of Shares interested divided by the number of issued Shares as at 31 December 2018 (i.e. 1,000,000,000 Shares).

Save as disclosed above, as at 31 December 2018, so far as is known by or otherwise notified to the Directors, no other entity or person (other than a Director or the chief executive of the Company) had interests and short positions in the Shares and underlying Shares as required to be recorded in the register to be kept by the Company under Section 336 of the SFO.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or their respective associates (as defined in the GEM Listing Rules) to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, the Company did not redeem its listed securities nor did the Company or any of its subsidiaries purchase or sell such securities.

CONNECTED TRANSACTIONS

A transaction with Tai Pong Fat Construction and Investment Company Limited as disclosed in Note 28 to the Consolidated Financial Statements constituted continuing connected transaction but is exempt from the reporting, announcement, annual review and independent shareholders' approval requirements of Chapter 20 of the GEM Listing Rules. Save for the aforesaid transaction, the other related party transactions shown in Note 28 to the Consolidated Financial Statements did not constitute connected transaction or continuing connected transaction of the Company under the GEM Listing Rules.

DIRECTORS' REPORT

DIRECTORS' CONFIRMATION

The INED$_s$ have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

EVENTS AFTER THE YEAR END

The Directors confirmed that no major subsequent event that affected the Group has occurred after the Year and up to the date of this annual report.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Year, the Company has applied the principles and complied with all code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules (the "**CG Code**").

COMPLIANCE ADVISER'S INTEREST IN THE COMPANY

As at 31 December 2018, as notified by the Company's compliance adviser, Southwest Securities (HK) Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement dated 16 March 2017 entered into between the Company and the Compliance Adviser regarding the receipt of fees by the Compliance Adviser for acting in such capacity, neither the Compliance Adviser nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained a sufficient amount of public float for its Shares as required under the GEM Listing Rules throughout the Year and up to the date of this annual report.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") was established with effect from the Listing Date with written terms of reference in compliance with code provision C.3 of the CG Code and Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, re-appointment and removal of external auditors and to review and monitor the financial reporting process, risk management and internal control systems of the Group. The Audit Committee currently comprises all the three INED$_s$, namely Mr. Choi, Mr. Ma, Mr. Ho, Mr. Choi is the chairman of the Audit Committee.

The Audit Committee has reviewed the audited Consolidated Financial Statements and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The 2019 AGM is scheduled to be held on Friday, 10 May 2019. For determining the Shareholders' entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Tuesday, 7 May 2019 to Friday, 10 May 2019, both days inclusive, during which period no transfer of the Shares will be registered. Non-registered Shareholders must lodge all properly completed and stamped transfer documents accompanied by the relevant share certificates with the branch share registrar of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration by no later than 4:30 p.m. on Monday, 6 May 2019.

INDEPENDENT AUDITOR

The Consolidated Financial Statements have been audited by Deloitte Touche Tohmatsu ("**Deloitte**"), who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Deloitte as the independent auditor of the Company will be proposed at the 2019 AGM.

By Order of the Board
Asia Pioneer Entertainment Holdings Limited
Huie, Allen Tat Yan
Chairman and Executive Director

Hong Kong, 19 March 2019

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
ASIA PIONEER ENTERTAINMENT HOLDINGS LIMITED
亞洲先鋒娛樂控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Asia Pioneer Entertainment Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 46 to 102, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on technical sales and distribution of electronic gaming equipment	
We identified revenue recognition from technical sales and distribution of electronic gaming equipment as a key audit matter due to its quantitative significance of the transaction amounts to the consolidated statement of profit or loss and other comprehensive income. The Group enters into contracts with customers (casino operators) for technical sales and distribution of electronic gaming equipment. The management has to apply judgment to determine that technical sales and distribution of electronic gaming equipment is a single performance obligation as described in note 4 to the consolidated financial statements for revenue recognition. As disclosed in note 5 to the consolidated financial statements, the revenue from technical sales and distribution of electronic gaming equipment for the year ended 31 December 2018 is approximately HK$65.6 million.	Our procedures in relation to revenue recognition on technical sales and distribution of electronic gaming equipment included: • Obtaining an understanding of the processes in relation to revenue recognition and testing the key controls over recognition of revenue from technical sales and distribution of electronic gaming equipment; • Assessing the appropriateness of judgment made by the management on revenue recognition on the technical sales and distribution of electronic gaming equipment, by reviewing the sales contracts, on a sample basis, with reference to IFRS 15 *Revenue from Contracts with Customers*; and • Testing the revenue recognised from technical sales and distribution of electronic gaming equipment, on a sample basis, against sales contracts or orders, approved model list of electronic gaming equipment by local regulatory authorities and customer acknowledgement of delivery and installation to evaluate whether the control of the electronic gaming equipment has passed to the customers.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of finance lease receivables and trade receivables	
We identified the valuation on finance lease receivables and trade receivables as a key audit matter as they are quantitative significant of the balance to the consolidated financial statements as a whole, combined with the significant estimates associated with determining the expected credit loss ("ECL") on these receivables. In determining the loss allowance on finance lease receivables and trade receivables, the management recognises lifetime ECL for finance lease receivables and trade receivables and assesses collectively using a provision matrix in accordance with the internal credit rating assessment as set out in note 25 to the consolidated financial statements. As discussed in note 4, the provision matrix is based on the Group's historical default rates taking into consideration forward-looking information. As at 31 December 2018, the carrying amount of finance lease receivables and trade receivables are approximately HK$30.4 million (net of allowance of HK$152,734) and HK$12.0 million (net of allowance of HK$114,056) respectively, as set out in note 15 and 16 to the consolidated financial statements.	Our procedures in relation to the valuation on finance lease receivables and trade receivables included: • Obtaining an understanding on the Group's internal credit rating assessment for finance lease receivables and trade receivables; • Evaluating the reasonableness and appropriateness of the Group's internal credit rating assessment, including the usage of historical experience and forward-looking information in assessing the risk of defaults to finance lease receivables and trade receivables; • Obtaining aging analysis of finance lease receivables and trade receivables. Testing the accuracy of the aging analysis, on a sample basis, against sales invoices, contracts or customer acknowledgement of delivery and installation; • Evaluating the reasonableness of management's determination of debtors that have significant increase in credit risk on trade debtors' group since initial recognition based on the historical and forward-looking information, including aging of receivable past due; • Testing subsequent settlements of finance lease receivables and trade receivables, on a sample basis, to source documents including bank-in slips; and • Obtaining the calculation of loss allowance and testing the accuracy in the provision matrix with reference to the Group's internal credit rating assessment.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lam, Lawrence.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 HK$	2017 HK$
Revenue of goods and services	5	109,618,844	86,063,958
Cost of sales and services		(61,684,711)	(51,233,577)
Gross profit		47,934,133	34,830,381
Other income, gains and losses	6	171,076	498,652
Impairment loss of financial assets	7	(266,790)	–
Operating expenses		(23,654,366)	(14,003,857)
Listing expenses		–	(14,202,195)
Finance costs		(74,332)	–
Profit before tax		24,109,721	7,122,981
Income tax expense	8	(3,408,450)	(2,630,695)
Profit and total comprehensive income for the year	9	20,701,271	4,492,286
Earnings per share			
Basic	12	0.021	0.006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	NOTES	2018 HK$	2017 HK$
NON-CURRENT ASSETS			
Property and equipment	13	**5,104,929**	619,190
Deposit for property and equipment		**1,400,000**	1,553,398
Finance lease receivables	15	**24,871,684**	–
Rental deposit		**180,000**	180,000
		31,556,613	2,352,588
CURRENT ASSETS			
Inventories	14	**2,337,484**	1,457,065
Finance lease receivables	15	**5,522,526**	–
Trade and other receivables	16	**28,708,350**	21,977,263
Pledged bank deposit	17	**5,000,000**	–
Fixed bank deposit	17	**40,152**	40,077
Bank balances and cash	17	**47,507,886**	66,751,020
		89,116,398	90,225,425
CURRENT LIABILITIES			
Trade and other payables	18	**24,114,781**	18,548,164
Tax payable		**5,389,842**	3,562,732
		29,504,623	22,110,896
NET CURRENT ASSETS		**59,611,775**	68,114,529
NET ASSETS		**91,168,388**	70,467,117
CAPITAL AND RESERVES			
Share capital	21	**10,000,000**	10,000,000
Reserves		**81,168,388**	60,467,117
		91,168,388	70,467,117

The consolidated financial statements on pages 46 to 102 were approved and authorised for issue by the Board of Directors on 19 March 2019 and are signed on its behalf by:

Mr. Huie, Allen Tat Yan	**Mr. Ng, Man Ho Herman**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital HK$	Share premium HK$	Merger reserve HK$ (Note b)	Legal reserve HK$ (Note a)	Accumulated profits HK$	Total HK$
At 1 January 2017	–	–	3,137,505	504,489	10,287,654	13,929,648
Profit and total comprehensive income for the year	–	–	–	–	4,492,286	4,492,286
Share swap upon reorganisation *(note 21(i))*	25	6,553,628	(6,553,653)	–	–	–
Capitalisation issue *(note 21(iii))*	7,499,975	(7,499,975)	–	–	–	–
Expenses incurred in connection with the issuance of ordinary shares	–	(11,454,817)	–	–	–	(11,454,817)
Issuance of ordinary shares upon listing	2,500,000	67,500,000	–	–	–	70,000,000
Dividends *(note 11)*	–	–	–	–	(6,500,000)	(6,500,000)
At 31 December 2017	10,000,000	55,098,836	(3,416,148)	504,489	8,279,940	70,467,117
Profit and total comprehensive income for the year	–	–	–	–	20,701,271	20,701,271
At 31 December 2018	10,000,000	55,098,836	(3,416,148)	504,489	28,981,211	91,168,388

Notes:

a. In accordance with provision of the Macau Commercial Code, the subsidiary incorporated in Macau Special Administrative Region ("Macau SAR") is required to transfer a minimum of 25% of the profit after taxation each year to the legal reserve until the balance meets 50% of its registered capital. The reserve is not distributable to shareholders.

b. The balance of merger reserve at 1 January 2017 represented the issued share capital of Asia Pioneer Entertainment, Ltd. ("APE BVI") attributable to Mr. Ng, Man Ho Herman ("Mr. Ng"), Mr. Huie, Allen Tat Yan ("Mr. Huie") and Mr. Chan Chi Lun ("Mr. Chan") (together referred to as the "Controlling Equity Holders") prior to the reorganisation. The movement of merger reserve during the year ended 31 December 2017 is arisen from the reorganisation, which represents the difference between the nominal value of the shares of the Company issued for the acquisition of APE BVI as set out in note 21(i), and the carrying amount of total equity of APE BVI at the date of completion of the reorganisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 **HK$**	2017 HK$
OPERATING ACTIVITIES		
Profit before tax	**24,109,721**	7,122,981
Adjustments for:		
Depreciation of property and equipment	**1,444,170**	217,795
Bank interest income	**(156,752)**	(89,089)
Interest income on finance leases	**(76,832)**	–
Finance costs	**74,332**	–
Impairment loss of financial assets	**266,790**	–
Loss on disposal of property and equipment	**7,134**	–
Operating cash flows before movements in working capital	**25,668,563**	7,251,687
Increase in inventories	**(880,419)**	(1,172,511)
Increase in finance lease receivables	**(30,470,112)**	–
Increase in trade and other receivables	**(6,781,962)**	(12,392,211)
Increase in trade and other payables	**5,234,588**	7,929,940
Decrease in amounts due to related parties	**–**	(1,660,117)
Net cash used in operations	**(7,229,342)**	(43,212)
Income tax paid	**(1,581,340)**	(950,979)
NET CASH USED IN OPERATING ACTIVITIES	**(8,810,682)**	(994,191)
INVESTING ACTIVITIES		
Interest received	**93,571**	89,089
Placement of fixed bank deposit	**(75)**	(437)
Placement of pledged bank deposit	**(5,000,000)**	–
Purchase of property and equipment	**(3,849,664)**	(131,392)
Deposit for property and equipment	**(1,400,000)**	(1,553,398)
NET CASH USED IN INVESTING ACTIVITIES	**(10,156,168)**	(1,596,138)
FINANCING ACTIVITIES		
Proceeds from issuance of shares	**–**	70,000,000
New bank loan raised	**3,668,073**	–
Repayment of bank loan	**(3,668,073)**	–
Issue costs paid	**(201,952)**	(9,843,079)
Interest paid	**(74,332)**	–
Repayments to shareholders	**–**	(26,179)
Dividend paid	**–**	(6,500,000)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(276,284)**	53,630,742
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(19,243,134)**	51,040,413
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**66,751,020**	15,710,607
CASH AND CASH EQUIVALENTS AT END OF YEAR	**47,507,886**	66,751,020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL

The Company is a limited liability company incorporated in the Cayman Islands on 22 February 2017. The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company in Macau SAR is located at EM Macau, Estrada Marginal do Hipódromo N°S 56-66, Industrial Lee Cheung F10. The issued shares of the Company have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 November 2017.

APE HAT Holdings Limited ("APE HAT"), a company incorporated in the British Virgin Islands (the "BVI"), is the immediate holding company of the Company, and, in the opinion of the Directors, is also the ultimate holding company of the Company.

The Company is an investment holding company and its subsidiaries are principally engaged in (1) procurement, distribution, assistance in fulfilling the requirement from relevant government authorities and installation of electronic gaming equipment and spare parts and the related after sales services to casino operators ("Technical Sales and Distribution of Electronic Gaming Equipment"); (2) the provision of consulting services to manufacturers of electronic gaming equipment including (a) regulatory consultancy; (b) product design and content consultancy; (c) localisation consultancy; and (d) on-site consultancy ("Consultancy and Technical Services"); (3) the provision of repair services to casino operators ("Repair Services"); (4) procuring and refurbishment of used electronic gaming equipment for resale ("Sales of Refurbished Electronic Gaming Machines"); and (5) procuring and lease sales of electronic gaming equipment to oversea markets ("Lease Sales of Electronic Gaming Equipment").

Prior to the incorporation of the Company and the completion of the reorganisation, the main operating activities of the Group were carried out by Asia Pioneer Entertainment Limited ("APE Macau"), a 99.8% owned subsidiary of APE BVI, which is under the control of Mr. Huie, Mr. Ng and Mr. Chan. Mr. Huie, Mr. Ng and Mr. Chan have 38.33%, 38.33% and 20% beneficial interests in APE BVI, respectively. Each of Mr. Huie and Mr. Ng also held 10 shares in APE Macau, representing 0.1% beneficial interest in APE Macau. On 10 March 2017, the Controlling Equity Holders executed an acting in concert confirmation whereby they confirmed the existence of their acting in concert arrangements in the past, present and future to collectively control over the Group's business.

Pursuant to the reorganisation, the Company became the holding company of the companies now comprising the Group on 14 March 2017. Since the Controlling Equity Holders control all the companies comprising the Group before and after the reorganisation, the Group comprising the Company and its subsidiaries is regarded as a continuing entity. The consolidated financial statements have been prepared on the basis as if the Company has always been the holding company of the Group using the principle of merger accounting.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), while the functional currency of the Company is United States dollars ("US$") as it is the currency of the primary economic environment in which the group entities operate.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatory effective for the current year

The Group has applied the following new and amendments to IFRSs issued by International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 *IFRS 15 Revenue from Contracts with Customers*

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

The Group's revenue from contracts with customers primarily consist of the following sources:

- Technical Sales and Distribution of Electronic Gaming Equipment;
- Consultancy and Technical Services;
- Repair Services;
- Sales of Refurbished Electronic Gaming Machines; and
- Lease Sales of Electronic Gaming Equipment.

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 5 and 3 respectively.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

2.1 *IFRS 15 Revenue from Contracts with Customers (Continued)*

Effects arising from initial application of IFRS 15

At the date of initial application, the Group has assessed that the application of IFRS 15 does not have a material impact of transition to IFRS 15 on accumulated profits (or other components of equity, as appropriate) and the consolidated statement of financial position at 1 January 2018.

2.2 *IFRS 9 Financial Instruments*

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to financial instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to financial instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of IFRS 9 are disclosed in note 3.

Impairment under ECL model

Effects arising from initial application of IFRS 9

As at 1 January 2018, the Group's financial assets consist of trade and other receivables, fixed bank deposit, and bank balances and cash that are recognised at amortised cost.

The Group applies the IFRS 9 simplified approach to measuring ECL using a lifetime expected loss allowance for all trade receivables.

ECL for other financial assets at amortised cost mainly comprise of other receivables, fixed bank deposit and bank balances, are measured on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

The Group assessed that the application of IFRS 9 ECL model will not have a material impact on the trade receivables as at 1 January 2018 as the probability of default is immaterial. For other financial assets, including fixed bank deposit and bank balances, are also subject to the impairment requirements of IFRS 9, the expected loss allowance of these financial assets is also immaterial.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[2]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[3]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

4 Effective for annual periods beginning on or after a date to be determined

5 Effective for annual periods beginning on or after 1 January 2020

Except for the new IFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

IFRS 16 Leases *(Continued)*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$4,400,306 as disclosed in note 22. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$180,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Upon application of IFRS 16, the Group will apply the requirements of IFRS 15 to assess whether sales and leaseback transaction constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group will account for the transfer proceeds as financial liabilities within the scope of IFRS 9. In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application will not be reassessed but the new requirements may impact the Group's future sale and leaseback transactions.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this Standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance (the "CO").

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing carrying values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the business had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2)

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2) *(Continued)*

Overtime revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Income from Consulting and Technical Services is recognised over the contract period in accordance with the terms and substances of the contracts if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For income from Consulting and Technical Services, which does not satisfy any criteria to be recognised over time, the consulting and technical service revenue is recognised upon the milestone completion in accordance with the terms and substances of the contracts.

Warranties

For service-type warranties, the promised service is a performance obligation. In that case, the Group allocates a portion of the transaction price to the warranty.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2) *(Continued)*

Existence of significant financing component *(Continued)*

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (prior to 1 January 2018)

Revenue, representing the income from Technical Sales and Distribution of Electronic Gaming Equipment, Consulting and Technical Services, Repairs Services and Sales of Refurbished Electronic Gaming Machines, is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Technical Sales and Distribution of Electronic Gaming Equipment

Revenue from the Technical Sale and Distribution of Electronic Gaming Equipment is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from Consulting and Technical Services

Income from Consulting and Technical Services is recognised over the contract period in accordance with the terms and substances of the consultancy contracts.

Income from Repair Services

Income from Repair Services represents the consideration received or receivable for providing repair services to casino operators.

Income from Repair Services is recognised when the related services are rendered.

Sales of Refurbished Electronic Gaming Machines

Sales of Refurbished Electronic Gaming Machines is recognised when the used electronic gaming machines are refurbished and distributed to the designated location.

Commission income

Commission income is recognised when services are provided.

Service handling income

Service handling income is recognised when the related services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (prior to 1 January 2018) *(Continued)*

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the defined contribution retirement scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Share-based payments

Equity-settled share-based payment transactions

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

At the time when the share options are exercised, the amount previously recognized in employee share-based compensation reserve will be transferred to share capital. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognized in the employee share-based compensation reserve will be transferred to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expenses represent the sum of the tax currently payable.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment

Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvement	33.33%
Furniture, fixtures and equipment	20%
Electrical equipment	20% – 33.33%
Computers	25%
Motor vehicles	20%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible assets is estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible assets *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories, which mainly represent the spare parts and finished goods, are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) (Continued)

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including finance lease receivables, trade and other receivables, pledged bank deposit, fixed bank deposit and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for finance lease receivables and trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (Continued)

(i) Significant increase in credit risk
In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 *Leases*.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables, pledged bank deposit, fixed bank deposit and bank balances) are each assessed as a separate group;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of finance lease receivables and trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)
The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, fixed bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables (before application of IFRS 9 on 1 January 2018)
Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of loans and receivables (before application of IFRS 9 on 1 January 2018) (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities
All the Group's financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost
Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition/non-substantial modification of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities (under IFRS 9 since 1 January 2018)
For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Offsetting a financial asset and a financial liability
A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Principal versus agent consideration (principal)

The Group mainly engages in trading of electronic gaming machines. Upon application of IFRS 15, the Group reassessed whether the Group should continue to recognise revenue on gross basis based on the requirements in IFRS 15. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the electronic gaming machines.

Revenue recognition for Technical Sales and Distribution of Electronic Gaming Equipment at a point in time (single performance obligation)

The Group enters into contracts with customers (casino operators) for Technical Sales and Distribution of Electronic Gaming Equipment. This transaction is a distinct and stand-alone contract separate from those for Consulting and Technical Services, Repairs Services and Sales of Refurbished Electronic Gaming Machines.

The directors of the Company considered such contract consist of a single distinct performance obligation. Only upon meeting all of following criteria, the control of the goods is considered to be passed to the customers and hence, the revenue on Technical Sales and Distribution of Electronic Gaming Equipment is recognised as sales of goods, as disclosed in note 3.

(a) Procurement and delivery of electronic gaming equipment;

(b) Assist in obtaining the local regulatory approval of the electronic gaming equipment, if needed; and

(c) On-site installation of the electronic gaming equipment at the casino.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements in applying accounting policies *(Continued)*

Revenue recognition for Technical Sales and Distribution of Electronic Gaming Equipment at a point in time (single performance obligation) *(Continued)*

In making the judgement, the directors of the Company considered the details criteria for the recognition of sales of goods set out in IFRS 15 and in particular, whether each component has separate commercial substance and should be separately identifiable. The directors of the Company believed that (1) the equipment installation service is incidental to the sales of goods, (2) the regulatory approval is highly interrelated with the sales of goods and (3) the warranty is of an assurance nature. Therefore, the directors of the Company satisfy that recognition of Technical Sales and Distribution of Electronic Gaming Equipment is appropriate when the goods are delivered and control have been passed.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for finance lease receivables and trade receivables

The Group uses provision matrix to calculate ECL for the finance lease receivables and trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At each end of the reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and finance lease receivables are disclosed in notes 15, 16 and 25 respectively.

5. REVENUE AND SEGMENT INFORMATION

The Group is engaged in (1) Technical Sales and Distribution of Electronic Gaming Equipment; (2) Consultancy and Technical Services; (3) Repair Services, (4) Sales of Refurbished Electronic Gaming Machines and (5) Lease Sales of Electronic Gaming Equipment.

For the purpose of resources allocation and performance assessment, the chief operating decision maker ("CODM"), who are the executive directors, reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 3. Accordingly, the Group has only one single operating and reportable segment and no further discrete financial information nor analysis of this single segment is presented.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2018					
	Technical Sales and Distribution of Electronic Gaming Equipment *HK$*	Consulting and Technical Services *HK$*	Repair Services *HK$*	Sales of Refurbished Electronic Gaming Machines *HK$*	Lease Sales of Electronic Gaming Equipment *HK$*	Total *HK$*
Types of goods or service						
Technical Sales and Distribution of Electronic Gaming Equipment						
— Electronic Table Games ("ETGs")	31,467,700	–	–	–	–	31,467,700
— Electronic Gaming Machines ("EGMs")	30,458,049	–	–	–	–	30,458,049
— Spare Parts	3,708,367	–	–	–	–	3,708,367
	65,634,116	–	–	–	–	65,634,116
Consulting and Technical Services						
— Technical supports	–	7,717,468	–	–	–	7,717,468
— Consultancy services	–	800,000	–	–	–	800,000
	–	8,517,468	–	–	–	8,517,468
Repair Services	–	–	2,489,916	–	–	2,489,916
Sales of Refurbished Electronic Gaming Machines	–	–	–	2,507,231	–	2,507,231
Lease Sales of Electronic Gaming Equipment	–	–	–	–	30,470,113	30,470,113
Total	65,634,116	8,517,468	2,489,916	2,507,231	30,470,113	109,618,844
Geographical markets						
Macau SAR	64,671,338	8,517,468	2,484,825	2,507,231	–	78,180,862
Cambodia	–	–	–	–	20,275,226	20,275,226
Philippines	14,273	–	–	–	10,194,887	10,209,160
Others	948,505	–	5,091	–	–	953,596
Total	65,634,116	8,517,468	2,489,916	2,507,231	30,470,113	109,618,844
Timing of revenue recognition						
A point in time	65,634,116	5,931,456	2,489,916	2,507,231	30,470,113	107,032,832
Overtime	–	2,586,012	–	–	–	2,586,012
Total	65,634,116	8,517,468	2,489,916	2,507,231	30,470,113	109,618,844

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. For the year ended 31 December 2018 *(Continued)*

(ii) Performance obligations for contracts with customers

Technical sales and Distribution of Electronic Gaming Equipment

The Group enters into contracts with customers (casino operators) for Technical Sales and Distribution of Electronic Gaming Equipment include the performance obligation (as a whole) including:

(a) Procurement and delivery of electronic gaming equipment;

(b) Assist in obtaining the local regulatory approval of the electronic gaming equipment, if need; and

(c) On-site installation of the electronic gaming equipment at the casino.

The directors of the Company considered the performance obligation as a whole is not distinct performance obligation and therefore, the revenue on Technical Sales and Distribution of Electronic Gaming Equipment is recognised where the control of the electronic gaming equipment fully is transferred to the customer; i.e. when the electronic gaming equipment approved by the local regulatory are delivered and installed.

Under the Group's standard contract terms, the customers do not have a right to exchange nor return the electronic gaming machines. Instead, the Group provides a sales-related warranty for technical supports on those electronic gaming equipment ranging from three months to one year since the invoice date. Such warranty associated with electronic gaming machines cannot be purchased separately and they serve as an assurance.

Income from Consulting and Technical Services

Income from Consulting and Technical Services is recognised over the contract period in accordance with the terms and substances of the contracts if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For the income from Consulting and Technical Services, which does not satisfy any criteria to be recognised over time, the consulting and technical service revenue is recognised upon the milestone completion in accordance with the terms and substances of the contracts.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. For the year ended 31 December 2018 *(Continued)*

(ii) Performance obligations for contracts with customers (Continued)

Income from Repair Services

The Group enters into contracts with customers (casino operators) for repairing electronic gaming equipment. This service is a distinct and stand-alone contract separate from those contracts with customers for Technical Sales and Distribution of Electronic Gaming Equipment.

The directors of the Company considered that the control of the repaired electronic gaming equipment is transferred to the customer when the customer acknowledges the condition of repaired electronic gaming equipment upon delivery. The income of the repair services is recognised and payment of the transaction price is effective at the point when the repaired electronic gaming equipment is acknowledged by the customer. The normal credit term is 30 days since the invoice date.

Sales of Refurbished Electronic Gaming Machines

The Group enters into contracts with customers (non-casino operators) for sales of refurbished Electronic Gaming Machine. This service is a distinct and stand-alone contract separate from those contracts with customers for Technical Sales and Distribution of Electronic Gaming Equipment.

The directors of the Company considered that the control of the refurbished Electronic Gaming Machines is transferred to the customer when the customer acknowledges and accepts the condition of the refurbished electronic gaming machines. Hence, the revenue and the payment is effective at the point when the customer acknowledges the refurbished Electronic Gaming Machines and duly signs the contracts. The normal credit terms are 30 days.

Lease Sales of Electronic Gaming Equipment including repair and maintenance services over the lease period

The Group enters into contracts with oversea customers for offer an option of either buying or leasing the assets. The Group is responsible for repair and maintenance of such electronic gaming equipment during the lease period and such repairing service is a distinct performance obligation of the lease sales contract with the customers.

As the repair and maintenance service is a separate non-lease component, the Group allocates the consideration for such service in the contracts. The income from the repair and maintenance service is recognised over time throughout the lease term.

With respect of the lease sales of electronic gaming equipment, the directors of the Company considered that the control of the lease sales of Electronic Gaming Equipment is transferred to the customer when the customer acknowledges and accepts the condition of the electronic gaming equipment. Hence, the revenue is effective at the point when the electronic gaming equipment are delivered and acknowledged by customers.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. For the year ended 31 December 2018 *(Continued)*

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Technical Sales and Distribution of Electronic Gaming Equipment *HK$*	Consulting and Technical Services *HK$*	Repair Services *HK$*
Within one year	32,494,953	254,153	79,117
More than one year but not more than two years	–	–	73,903
More than two years	–	–	218,275
	32,494,953	254,153	371,295

B. For the year ended 31 December 2017

An analysis of the Group's revenue for the year is as follows:

Revenue from major products and services

	2017 *HK$*
Technical Sales and Distribution of Electronic Gaming Equipment	72,785,924
Consulting and Technical Services	6,761,257
Repair Services	2,164,594
Sales of Refurbished Electronic Gaming Machines	4,352,183
	86,063,958

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

C. Entity-wide disclosure

Information about major customers

Revenue from customers individually contributing over 10% of the total sales of the Group of the corresponding years are as follows:

	2018 **HK$**	2017 HK$
Customer A	**28,890,114**	N/A#
Customer B	**20,275,226**	13,173,145
Customer C	**16,941,102**	24,347,480
Customer D	**N/A#**	18,880,803

The corresponding revenue did not contribute over 10% of the Group's revenue.

The Group primarily operates in Macau SAR and substantially all of the non-current assets (excluding finance lease receivables) of the Group are located in Macau SAR. Accordingly, no geographical information on non-current asset has been presented.

Geographical information

The following table sets forth a breakdown of the Group's revenue during the year based on locations of the external customers:

	2018 **HK$**	2017 HK$
Macau SAR	**78,194,466**	79,311,118
Malaysia	**—**	6,752,840
Cambodia	**20,275,226**	—
Philippines	**10,209,160**	—
Others	**939,992**	—
	109,618,844	86,063,958

6. OTHER INCOME, GAINS AND LOSSES

	2018 HK$	2017 HK$
Other income		
Interest income on finance leases	76,832	–
Bank interest income	156,752	89,089
Commission income	–	87,317
Service handling income	–	286,274
Others	225,651	91,206
	459,235	553,886
Other gains and losses		
Loss on disposal of property and equipment	(7,134)	–
Net foreign exchange loss	(281,025)	(55,234)
	(288,159)	(55,234)
	171,076	498,652

7. IMPAIRMENT LOSSES OF FINANCIAL ASSETS

	2018 HK$
Impairment losses recognised on:	
— Finance lease receivables	152,734
— Trade receivables — goods and services	114,056
Total	266,790

Details of impairment assessment of financial assets for the year ended 31 December 2018 are set out in note 25.

8. INCOME TAX EXPENSE

	2018 HK$	2017 HK$
Current tax:		
Macau SAR Complementary Tax	3,408,450	2,630,695

The Group is subject to Macau SAR Complementary Tax at a rate of 12% on the assessable income exceeding Macau Pataca ("MOP") MOP600,000 (equivalent to approximately HK$583,000) for both years.

The Group is not subject to any income tax in the Cayman Islands and the BVI pursuant to the rules and regulation in those jurisdictions.

8. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 *HK$*	2017 *HK$*
Profit before tax	**24,109,721**	7,122,981
Tax at the income tax rate of 12%	**2,893,167**	854,758
Effect of income that is not taxable in determining taxable profits	**(69,903)**	(69,903)
Tax effect of expenses not deductible for tax purpose	**585,186**	1,845,840
Income tax expense for the year	**3,408,450**	2,630,695

9. PROFIT FOR THE YEAR

	2018 *HK$*	2017 *HK$*
Profit for the year has been arrived at after charging:		
Directors' remuneration	**4,275,894**	1,650,020
Other staff costs		
— salaries and allowances	**10,814,747**	7,996,410
— retirement benefits scheme contributions	**31,495**	28,417
	15,122,136	9,674,847
Auditor's remuneration	**1,480,000**	990,000
Depreciation of property and equipment	**1,444,170**	217,795
Cost of inventories recognised as expenses	**55,365,348**	45,281,064
Minimum lease payments in respect of rental premises	**1,366,847**	817,156

10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES

(a) Directors and Chief Executive

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and disclosure requirements of the CO, is as follows:

For the year ended 31 December 2018

	Independent non-executive directors			Executive directors		
	Mr. Choi	Mr. Ho	Mr. Ma	Mr. Ng	Mr. Huie	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
	(Note c)	*(Note c)*	*(Note c)*	*(Note b)*	*(Note a)*	
Directors' fee	160,000	160,000	160,000	1	2,099,000	2,579,001
Salaries and allowances	–	–	–	1,236,893	–	1,236,893
Performance related bonus *(Note d)*	–	–	–	460,000	–	460,000
	160,000	160,000	160,000	1,696,894	2,099,000	4,275,894

For the year ended 31 December 2017

	Independent non-executive directors			Executive directors		
	Mr. Choi	Mr. Ho	Mr. Ma	Mr. Ng	Mr. Huie	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
	(Note c)	*(Note c)*	*(Note c)*	*(Note b)*	*(Note a)*	
Directors' fee	20,000	20,000	20,000	–	–	60,000
Salaries and allowances	–	–	–	1,023,777	129,350	1,153,127
Performance related bonus *(Note d)*	–	–	–	436,893	–	436,893
	20,000	20,000	20,000	1,460,670	129,350	1,650,020

Notes:

(a) Mr. Huie was appointed as an executive director and chairman of the Company with effect from 15 March 2017. His emoluments disclosed above include those for services rendered by him as the chairman.

(b) Mr. Ng was appointed as an executive director and chief executive officer of the Company with effect from 15 March 2017. His emoluments disclosed above include those for services rendered by him as the chief executive officer. Before appointing as the executive director and chief executive officer of the Company, Mr. Ng received remuneration from subsidiaries now comprising the Group for his appointment as directors or officers of these subsidiaries.

(c) Mr. Choi Kwok Wai ("Mr. Choi"), Mr. Ho Kevin King Lun ("Mr. Ho") and Mr. Ma Chi Seng ("Mr. Ma") were appointed as independent non-executive directors with effect from 25 October 2017. Their emoluments shown above were mainly for their services as directors of the Company.

(d) The discretionary bonus is determined by reference to the duties and responsibilities of Mr. Ng and Mr. Huie and the Group's performance.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES *(Continued)*

(b) Employees

The five highest paid individuals for the year ended 31 December 2018 included two directors (2017: one), details of whose emoluments are set out in note 10(a) above. The emoluments of the remaining three individuals for the year ended 31 December 2018 (2017: four) were as follows:

	2018 *HK$*	2017 *HK$*
Salaries and allowances	**2,936,570**	2,410,585
Performance related bonus	**356,584**	575,454
Retirement benefit scheme contributions	**1,398**	1,049
	3,294,552	2,987,088

The number of the highest paid individuals fell within the following band:

	Number of employees	
	2018	2017
Nil to HK$1,000,000	**1**	4
HK$1,000,001 to HK$1,500,000	**2**	–
	3	4

During the year, no emolument was paid by the Group to the director or any of the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: HK$6,500,000).

12. EARNINGS PER SHARE

The Company was listed on GEM of the Stock Exchange on 15 November 2017 by way of share offer of 250,000,000 new shares and capitalisation of 749,997,500 shares, resulting in 1,000,000,000 ordinary shares in issue. The calculation of the basic earnings per share for each of the years ended 31 December 2017 and 2018 is based on the following data:

	2018	2017
	HK$	*HK$*
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	**20,701,271**	4,492,286

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,000,000**	782,192

The number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2017 has been retrospectively adjusted for the capitalisation issue of the shares of the Company completed on 15 November 2017 and assuming that the reorganisation had been effective on 1 January 2017.

No diluted earnings per share for the year was presented as there were no potential ordinary shares in issue during both years.

13. PROPERTY AND EQUIPMENT

	Leasehold improvement HK$	Furniture, fixtures and equipment HK$	Electrical equipment HK$	Computers HK$	Motor vehicles HK$	Total HK$
COST						
At 1 January 2017	236,307	119,504	146,428	460,518	168,000	1,130,757
Additions	–	–	47,567	83,825	320,000	451,392
At 31 December 2017	236,307	119,504	193,995	544,343	488,000	1,582,149
Additions	4,814,025	444,244	91,942	586,832	–	5,937,043
Disposals	–	–	(23,990)	(3,631)	–	(27,621)
At 31 December 2018	5,050,332	563,748	261,947	1,127,544	488,000	7,491,571
DEPRECIATION						
At 1 January 2017	223,357	92,783	98,455	310,969	19,600	745,164
Charge for the year	11,898	9,073	25,146	74,078	97,600	217,795
At 31 December 2017	235,255	101,856	123,601	385,047	117,200	962,959
Charge for the year	1,069,766	73,111	45,344	158,349	97,600	1,444,170
Eliminated on disposals	–	–	(17,689)	(2,798)	–	(20,487)
At 31 December 2018	1,305,021	174,967	151,256	540,598	214,800	2,386,642
CARRYING VALUES						
At 31 December 2018	3,745,311	388,781	110,691	586,946	273,200	5,104,929
At 31 December 2017	1,052	17,648	70,394	159,296	370,800	619,190

14. INVENTORIES

	2018 HK$	2017 HK$
Spare parts	**2,329,688**	779,948
Finished goods	**7,796**	677,117
Total	**2,337,484**	1,457,065

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

15. FINANCE LEASE RECEIVABLES

During the year ended 31 December 2018, the Group sold certain electronic gaming equipment in finance leases arrangement. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

	2018	2017
	HK$	*HK$*
Analysed as:		
Current	**5,522,526**	–
Non-current	**24,871,684**	–
	30,394,210	–

	Minimum lease payments		**Present value of minimum lease payments**	
	2018	2017	**2018**	2017
	HK$	*HK$*	***HK$***	*HK$*
Finance lease receivables comprise:				
Within one year	**7,576,218**	–	**5,550,277**	–
In more than one year but not more than two years	**7,316,348**	–	**5,676,941**	–
In more than two years but not more than five years	**21,609,214**	–	**19,319,726**	–
	36,501,780	–	**30,546,944**	–
Less: unearned finance income	**(5,954,836)**	–	**–**	–
allowance for credit losses	**(152,734)**	–	**(152,734)**	–
Present value of minimum lease payment receivables	**30,394,210**	–	**30,394,210**	–

Effective interest rates of the above finance leases range from 6.00% to 8.00% per annum.

Prior to entering sales under finance lease arrangement, the Group assesses the potential customer's credit quality. Sales under finance lease arrangement are required to an encumbrance on the leased assets to guarantee the repayment of the lease receivables. Depending on the customer's financial ability, the Group may also request third party undertakes and guarantees the finance lease receivables plus additional interest or penalty if the lessee defaults in payment of any sum under the lease agreement.

At 31 December 2018, one of the leases is guaranteed by a third party entity.

16. TRADE AND OTHER RECEIVABLES

	2018 **HK$**	2017 HK$
Trade receivables on goods and services	**12,116,601**	18,104,896
Less: allowance for credit losses	**(114,056)**	–
	12,002,545	18,104,896
Other receivables, prepayments and deposits		
— Purchase and trial products deposits to suppliers	**15,869,840**	3,183,188
— Other prepayments and deposits	**597,411**	628,012
— Other receivables	**238,554**	61,167
Total	**28,708,350**	21,977,263

As at 31 December 2018 and 1 January 2018, all trade receivables are from contracts with customers.

The Group allows an average credit period of 30 days to its trade customers throughout the year before accepting any new customer, the Group assesses the potential customer's credit quality. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. Due dates of the trade receivables are determined based on the agreed payment dates as stipulated in the invoice.

The following is an aging analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2018 **HK$**	2017 HK$
0–30 days	**1,881,658**	16,865,804
31–60 days	**5,291,931**	433,931
61–90 days	**1,164,482**	5,088
91–180 days *(note)*	**2,682,688**	800,073
Over 180 days	**1,095,842**	—
	12,116,601	18,104,896

Note: For an amount of approximately HK$780,000 included in this category as at 31 December 2017, the Group has re-negotiated the credit terms with the customer and the amount will be settled in 5 instalments with the last instalment to be settled by 31 December 2018. As of the date of this report, the customer has settled the outstanding balance in accordance with the repayment schedule.

As at 31 December 2018, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$10,234,941 which are past due as at the reporting date. Out of the past due balances approximately HK$2,362,120 (2017: HK$20,462) has been past due over 90 days or more and is not considered as in default as there has not been a significant change in credit quality and amounts are still considered as recoverable based on historical experience. The Group does not hold any collaterals over these balances.

As at 31 December 2017, 97% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

16. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$615,403 which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	2017 *HK$*
Overdue by:	
Within 30 days	589,853
31–60 days	5,088
61–90 days	–
Over 90 days	20,462
	615,403

Details of impairment assessment of financial assets for the year ended 31 December 2018 are set out in note 25.

17. PLEDGED BANK DEPOSIT/FIXED BANK DEPOSIT/BANK BALANCES AND CASH

As at 31 December 2018, bank balances carry interest at prevailing market rates at 0.01% per annum (2017: 0.01% per annum). Fixed bank deposit carries interest rate at 0.13% per annum (2017: 0.19% per annum) with the original maturity over 3 months. Pledged bank deposit carries interest rate at 2.11% per annum. The pledged bank deposit will be released upon the expiry of relevant bank borrowing facility.

Pledged bank deposit represents deposit pledged to bank to secure banking facility granted to the Group. As at 31 December 2018, deposit amounting to HK$5,000,000 has been pledged to secure future short-term bank loans for purchases of electronic gaming machines and is therefore classified as current asset (2017: nil).

Details of impairment assessment of the financial assets for the year ended 31 December 2018 are set out in note 25.

18. TRADE AND OTHER PAYABLES

	2018 ***HK$***	2017 *HK$*
Trade payables	**18,336,158**	13,416,801
Payroll payables and other accrued staff costs	**2,103,854**	2,608,589
Payables for listing expenses	**–**	807,806
Other payables and accrued expenses	**3,674,769**	1,714,968
Total	**24,114,781**	18,548,164

18. TRADE AND OTHER PAYABLES *(Continued)*

The credit period on trade payables is ranging from 30 to 150 days. The aging analysis of the Group's trade payables below is presented based on the invoice date (or date of cost incurred, if earlier) at the end of the reporting period:

	2018 ***HK$***	2017 *HK$*
0–30 days	**2,080,546**	9,893,195
31–90 days	**15,987,956**	1,141,113
Over 90 days	**267,656**	2,382,493
	18,336,158	13,416,801

19. UNDRAWN BORROWING FACILITY

As at the end of the reporting period, the Group has the following undrawn borrowing facility:

	2018 ***HK$***	2017 *HK$*
Floating rate		
— expiring within one year	**10,000,000**	–

20. SHARE OPTION SCHEME

The Group's share option scheme was conditionally adopted pursuant to a resolution passed on 25 October 2017 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 24 October 2027. Under the scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The subscription price is set at highest of (a) the official closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (b) the average of the official closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a Company's share.

The aggregate number of shares which may be issued upon exercise of all options to be granted under the share option scheme, and other schemes offered by the Company, as from the date of adoption of the share option scheme, shall not exceed 10% of the shares in issue on the listing date. The overall limit on the number of shares which shall be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme, and other schemes offered by the Company, shall not exceed 30% of the issued share capital of the Company from time to time. The total number of shares issued, and to be issued, upon exercise of options granted in accordance with the share option scheme to the participant in any 12-month period shall not exceed 1% of the issued share capital of the Company.

As at 31 December 2018 and 2017, no option has been granted pursuant to the share option scheme.

21. SHARE CAPITAL

The movements in the Company's authorised and issued ordinary share capital are as follows:

	Par value HK$	Number of shares	Share capital HK$
Ordinary shares			
Authorised:			
— On date of incorporation on 22 February 2017	**0.01**	**1,000,000**	**10,000**
— Increase on 25 October 2017 *(note ii)*	**0.01**	**9,999,000,000**	**99,990,000**
As at 31 December 2018 and 2017	**0.01**	**10,000,000,000**	**100,000,000**
Issued:			
— 1 share allotted and issued at par on the date of incorporation	**0.01**	**1**	**–**
— Issue of shares *(note i)*	**0.01**	**2,499**	**25**
— Capitalisation issue *(note iii)*	**0.01**	**749,997,500**	**7,499,975**
— Issuance of ordinary shares upon listing *(note iv)*	**0.01**	**250,000,000**	**2,500,000**
As at 31 December 2018 and 2017	**0.01**	**1,000,000,000**	**10,000,000**

Notes:

i. On 14 March 2017, pursuant to a share swap agreement dated 14 March 2017, the Company acquired the entire 75,000 shares in APE BVI from Mr. Ng, Mr. Huie, Avanzare Limited (which is wholly owned by Mr. Chan) and Ms. Kong Kam Pui ("Ms. Kong") respectively, in consideration of 2,416 shares and 83 shares credited as fully paid at par, being allotted and issued to APE HAT and Ms. Kong, respectively.

ii. Pursuant to the written resolutions of the shareholders of the Company passed on 25 October 2017, the authorised share capital of the Company was increased from HK$10,000 divided into 1,000,000 shares of a par value of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 shares of a par value of HK$0.01 each by the creation of an additional 9,999,000,000 shares.

iii. On 15 November 2017, the Company capitalised a sum of HK$7,499,975 standing to the credit of the share premium account of the Company and appropriated such amount as to capital to pay up in full at par 749,997,500 shares for allotment and issue to the persons whose names appeared on the register of members of the Company immediately before the listing of the shares of the Company on GEM of the Stock Exchange.

iv. On 15 November 2017, the Company issued a total of 250,000,000 ordinary shares of a par value of HK$0.01 each pursuant to the global offering at the price of HK$0.28 per share and the Company's shares were listed on GEM of the Stock Exchange on 15 November 2017.

The newly issued shares rank pari passu in all respects with the existing shares.

22. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$	2017 HK$
Within one year	**1,145,726**	1,172,159
In the second to fifth years inclusive	**3,254,580**	4,214,634
	4,400,306	5,386,793

Operating lease payments represent rentals payable by the Group for certain of its offices and car parks. Leases are negotiated for an average term of five years (2017: five years) which are non-cancellable and rentals are fixed throughout the lease period.

23. CAPITAL COMMITMENT

	2018 HK$	2017 HK$
Capital expenditure in respect of the acquisition of property and equipment contracted for but not provided in the consolidated financial statements	**1,800,000**	4,067,961

24. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents, pledged bank deposit, fixed bank deposit and equity attributable to owners of the Company, comprising issued share capital and reserves including accumulated profits.

The directors of the Group review the capital structure from time to time. As a part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares as well as the issue of new debt.

25. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2018 HK$	2017 HK$
Financial assets		
Financial assets at amortised cost	**95,423,238**	–
Loan and receivables (including cash and cash equivalents)	**–**	85,284,454
Financial liabilities		
Amortised cost	**20,435,420**	14,897,634

b. Financial risk management objectives and policies

The Group's major financial instruments include finance lease receivables, trade and other receivables, pledged bank deposit, fixed bank deposit, bank balances and cash, and trade and other payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), liquidity risk and credit risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

A subsidiary of the Group has foreign currency trade payables, which expose the Group to foreign currency risk. Approximately 32.8% (2017: 6.4%) of the Group's trade payables are denominated in currencies other than the functional currency of the group entity arising from the purchase.

	Liabilities	
	2018 HK$	2017 HK$
Trade payables		
EURO	**6,023,150**	860,424

The Group is mainly exposed to the effects of rate fluctuations in the EURO against US$.

25. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk (Continued)

The following table details the Group's sensitivity to a 5% increase and decrease in the US$ against the EURO. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the EURO:US$ foreign exchange rate. The sensitivity analysis includes outstanding foreign currency denominated monetary items at the reporting date. A positive number below indicates an increase in profit for the year where the US$ weakens 5% against the EURO.

	2018 ***HK$***	2017 *HK$*
Impact of EURO		
Profit for the year[(i)]	**265,109**	37,859

(i) This is mainly attributable to the exposure outstanding on trade payables denominated in EURO at the reporting date.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate finance lease receivables. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group currently does not enter into any hedging instrument for cash flow interest rate risk.

No sensitivity analysis of bank balances of the Group is presented as all bank balances carry interest rate below 0.01% per annum (2017: 0.1% per annum) and the impact is insignificant to the Group.

Credit risk and impairment assessment

As at 31 December 2018, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the finance lease receivables and trade receivables are disclosed in notes 15 and 16, net of total carrying amounts of HK$30,394,210 and HK$12,002,545 respectively. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with finance lease receivables are mitigated because sales under finance lease arrangement are required to an encumbrance on the leased assets to guarantee the repayment of the lease receivables, and one of the lease is guaranteed by a third party entity.

25. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Finance lease receivables and trade receivables arising revenue from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on finance lease receivables and trade receivables balances based on provision matrix. In this regard, the directors of the Company considered that the Group's credit risk is significantly reduced.

Other receivables/pledged bank deposit/fixed bank deposit/bank balances

For other financial assets at amortised cost mainly comprise of other receivables, pledged bank deposit, fixed bank deposit and bank balances, are measured on 12m ECL basis as there had been no significant increase in credit risk since initial recognition.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Finance lease receivables/ trade receivables	Other financial assets
Very low risk	The counterparty has a very low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12-month ECL
Low risk	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL — not credit-impaired	12-month ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

25. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	*Notes*	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount *HK$*
Finance lease receivables	*2*	N/A	Low risk	Lifetime ECL (provision matrix)	30,546,944
Trade receivables — goods and services	*2*	N/A	Very low risk Low risk High risk	Lifetime ECL (provision matrix)	921,964 10,098,795 1,095,842
Other receivables*	*1*	N/A	N/A	12-month ECL	238,554
Pledged bank deposit		AA+	N/A	12-month ECL	5,000,000
Fixed bank deposit		AA+	N/A	12-month ECL	40,152
Bank balances		AA+	N/A	12-month ECL	47,507,886

* The gross carrying amounts disclosed above include the relevant interest receivables which presented in other receivables.

Notes:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due *HK$*	Not past due *HK$*	Total *HK$*
Other receivables	–	238,554	238,554

25. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes: (Continued)

2. For finance lease receivables and trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

Movement in the allowance for doubtful debts:

	Trade receivables *HK$*	Finance lease receivables *HK$*
At 31 December 2017 and 1 January 2018	–	–
Impairment losses recognised	114,056	152,734
At 31 December 2018	114,056	152,734

Provision matrix – internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for finance lease receivables and trade receivables which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL (not credit impaired).

Gross carrying amount

Internal credit rating	Average loss rate	Trade receivables *HK$*	Finance lease receivables *HK$*
Very low risk	0.01%	921,964	–
Low risk	0.1%-0.5%	10,098,795	30,546,944
High risk	10.0%	1,095,842	–
		12,116,601	30,546,944

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

25. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate *%*	Repayable on demand *HK$*	Within 3 months *HK$*	3 months to 1 year *HK$*	Total undiscounted cash flows *HK$*	Carrying amount *HK$*
At 31 December 2018						
Non-derivative financial liabilities						
Trade payables	–	8,489,406	8,014,275	1,832,477	18,336,158	18,336,158
Other payables and accruals	–	696,068	1,403,194	–	2,099,262	2,099,262
		9,185,474	9,417,469	1,832,477	20,435,420	20,435,420
At 31 December 2017						
Non-derivative financial liabilities						
Trade payables	–	3,523,606	9,893,195	–	13,416,801	13,416,801
Other payables and accruals	–	618,392	862,441	–	1,480,833	1,480,833
		4,141,998	10,755,636	–	14,897,634	14,897,634

c. Fair value measurements of financial instruments

The fair values of the financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

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FOR THE YEAR ENDED 31 DECEMBER 2018

26. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2017, dividends amounting to HK$6,495,146 was offset against with the current accounts with the respective shareholders of APE BVI (2018: nil).

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowing *HK$*	Dividend payables *HK$*	Amounts due to shareholders *HK$*
At 1 January 2017	–	–	26,179
Financing cash flows	–	(6,500,000)	(26,179)
Dividend recognised as distribution	–	6,500,000	–
At 31 December 2017	–	–	–
Financing cash flows	**3,668,073**	–	–
Repayment of bank loan	**(3,668,073)**	–	–
At 31 December 2018	–	–	–

28. RELATED PARTY DISCLOSURE

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and other details disclosed elsewhere in the consolidated financial statements, the Group also entered into the following significant transactions with related parties during the reporting period:

Name of related company	Nature of transaction	2018 *HK$*	2017 *HK$*
Tai Pong Fat Construction and Investment Company Limited ("Tai Pong Fat")	Rental expense	**54,757**	164,272
Kuawai Technology Limited ("Kuawai")	Outsourcing fees on repair services to the Group	–	1,221,807
	Purchase of spare parts	**41,600**	117,520

Notes:

(a) Tai Pong Fat is partly owned by Mr. Ng. Mr. Ng, one of the Controlling Equity Holders has significant influence over Tai Pong Fat.

(b) Kuawai is an entity owned by two relatives of a key management member of APE Macau.

28. RELATED PARTY DISCLOSURE *(Continued)*

Compensation of key management personnel

The directors of the Company are identified as key management members of the Group, and their compensation during the year is set out in note 10. During the year ended 31 December 2018, the total compensation of other key management members who are not directors of the Company is HK$3,516,133 (2017: HK$2,562,988).

29. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at the end of reporting period are set as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued fully and paid capital/ registered capital	Shareholding/ equity interest attributable to the Company 2018	2017	Principal activities
Directly held:					
Asia Pioneer Entertainment, Ltd.	British Virgin Islands 14 November 2005	US$75,000	**100%**	100%	Investment holding
APE Special 1 Limited	British Virgin Islands 28 November 2016	US$1	**100%**	100%	Investment holding
APE Special 2 Limited	British Virgin Islands 28 November 2016	US$1	**100%**	100%	Investment holding
Indirectly held:					
Asia Pioneer Entertainment Limited	Macau SAR 24 May 2006	MOP1,000,000	**100%**	100%	Technical sales and distribution, consulting and repair services of gaming machines

None of the subsidiaries had issued any debt securities at the end of the reporting period.

30. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 ***HK$***	2017 *HK$*
NON-CURRENT ASSET		
Investments in subsidiaries	**6,553,653**	6,553,653
CURRENT ASSETS		
Other receivables	**377,292**	233,171
Amount due from a subsidiary	**22,692,830**	–
Pledged bank deposit	**5,000,000**	–
Bank balances	**28,590,919**	59,783,135
	56,661,041	60,016,306
CURRENT LIABILITIES		
Other payables	**1,493,055**	1,117,848
Amounts due to subsidiaries	**15,156,398**	14,597,887
	16,649,453	15,715,735
NET CURRENT ASSETS	**40,011,588**	44,300,571
NET ASSETS	**46,565,241**	50,854,224
CAPITAL AND RESERVES		
Share capital	**10,000,000**	10,000,000
Reserves	**36,565,241**	40,854,224
	46,565,241	50,854,224

Movement in the Company's reserves is as follows:

	Share premium *HK$*	**Accumulated loss** *HK$*	**Total** *HK$*
At date of incorporation on 22 February 2017	–	–	–
Loss and total comprehensive expense for the period	–	(14,244,612)	(14,244,612)
Share swap upon reorganisation *(Note 21(i))*	6,553,628	–	6,553,628
Capitalisation issue *(Note 21(iii))*	(7,499,975)	–	(7,499,975)
Issuance of ordinary shares upon listing	67,500,000	–	67,500,000
Expenses incurred in connection with the issuance of ordinary shares	(11,454,817)	–	(11,454,817)
At 31 December 2017	55,098,836	(14,244,612)	40,854,224
Loss and total comprehensive expense for the year	–	(4,288,983)	(4,288,983)
At 31 December 2018	55,098,836	(18,533,595)	36,565,241